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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

HEARINGS

BEFORE THE

TEMPORARY NATIONAL ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

SEVENTY-SIXTH CONGRESS

FIRST SESSION

PURSUANT TO

Public Resolution No. 113

(Seventy-fifth Congress)

AUTHORIZING AND DIRECTING A SELECT COMMITTEE TO
MAKE A FULL AND COMPLETE STUDY AND INVESTIGATION
WITH RESPECT TO THE CONCENTRATION OF
ECONOMIC POWER IN, AND FINANCIAL CONTROL
OVER, PRODUCTION AND DISTRIBUTION OF
GOODS AND SERVICES

PART 4-5.5A

LIFE INSURANCE

METROPOLITAN LIFE INSURANCE CO.
NEW YORK LIFE INSURANCE CO.
ACACIA MUTUAL LIFE INSURANCE CO.
MUTUAL LIFE INSURANCE CO. OF NEW YORK
PRUDENTIAL LIFE INSURANCE CO. OF AMERICA
NORTHWESTERN MUTUAL LIFE INSURANCE CO.

FEBRUARY 6, 7, 8, 9, 10, 14, 15, 16, AND 17, 1939

Printed for the use of the Temporary National Economic Committee



UNITED STATES
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WASHINGTON : 1939

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(Created pursuant to Public Res. 113, 75th Cong.)

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II

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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

MONDAY, FEBRUARY 6, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:20 a. m. pursuant to adjournment on Friday, January 20, 1939, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senators O'Mahoney (chairman) and King; Representatives Reece and Williams; Messrs. Henderson, Arnold, Douglas, Ferguson, Patterson, Lubin, Berge, and Peoples.

Present also: Gerhard A. Gesell, Special Counsel, Securities and Exchange Commission.

The CHAIRMAN. The committee will please come to order.

I might say that Monday is a particularly difficult day for some members of this committee, some of the congressional members, because the Judiciary Committees in both the Senate and House have a standing order to meet on Mondays. The vice chairman, Congressman Sumners, is undoubtedly at work in the Judiciary Committee, and I know that both Senator Borah and Senator King as well as the chairman, are members of the Judiciary Committee of the Senate. I want those who are here to understand the absence of Senators. It isn't particularly necessary for the record.

The committee has been assembled today for the purpose of hearing the Securities and Exchange Commission under section 3b of the resolution by which this committee was created. Chairman W. O. Douglas, of the Securities and Exchange Commission, and a member of this committee, is present. Do you care to make a statement, Mr. Douglas?

STATEMENT OF W. O. DOUGLAS, CHAIRMAN SECURITIES AND EXCHANGE COMMISSION

Mr. DOUGLAS. Mr. Chairman, today, if the committee please, the Securities and Exchange Commission commences the presentation of facts relating to certain aspects of the insurance business.

The President, in his message to the Congress, spoke of the tremendous investment funds controlled by our great insurance companies and asked that authorization be given to investigate the manner in which these investments are used as "an instrument of economic power." It is on this broad problem that we will present to the committee facts concerning the insurance business.

Our study to date has had the cooperation of the insurance companies. The Commission has already assembled much factual information for its study. Part of this has been supplied from answers to

questionnaires; much of it has come from the files of the companies, and we have also gathered certain facts from public reports and documents. We are now at a stage where additional information must be sought from officers, directors, and others who formulate and carry out the policies of the insurance companies. This information is of such a character that necessarily it lies only in the minds of those who have been called to testify.

At the outset, Mr. Chairman, I want to make clear that this inquiry does not attack and in no way questions the adequacy of the reserves of any insurance company within its scope. Under State laws the legal reserve companies are required to set aside in restricted investments, funds sufficient to assure that each policyholder will receive the amount of his policy when his risk matures. No policyholder need have any concern that any fact brought out in this inquiry will in any way jeopardize the protection which he counts upon through his insurance policy.

The last comprehensive analysis of the life-insurance business by an agency of the Government was the study made by the so-called Armstrong committee, of which Charles Evans Hughes, now Chief Justice of the United States, was counsel.

This committee, functioning under authority of the New York State Legislature, inquired in 1905 into the practices of companies chartered or authorized to do business in the State of New York. That study was broad in scope. It covered the activities of insurance companies from such details as the provisions of insurance policies to the methods by which companies were organized and the manner in which they participated in investment syndicates. The Armstrong committee recommended certain reforms, some of which were translated into legislation. Following the hearings conducted for the Armstrong committee, similar inquiries were begun in other States and there resulted a general tightening of State regulation of insurance companies. Leaders of the life-insurance business have likewise recognized the salutary effect of the Armstrong report on insurance in the United States and the lasting importance of the contribution which was then made.

I earnestly recommend to each member of this committee a careful reading of the Armstrong report. The work of the Armstrong committee, its findings, and its report, have over the years been recognized as an outstanding contribution to an understanding of the problems of finance. Its thoroughgoing fairness and competence are well known.

It has been the desire of the Securities and Exchange Commission in conducting the present inquiry to adhere to the standards established by the Armstrong committee and to follow insofar as changed conditions permit the pattern so ably laid down by that committee.

It is our present task to survey the economic power inherent in the vast investment funds controlled by the insurance companies and to study the impact of that power upon our national economy. The scope of our problem is as broad as the sphere of influence of the insurance companies themselves. Inquiry into that problem of necessity takes us from Wall Street to Main Street, from the capital markets and financial centers of the East into the farm lands of the West and South. It will properly bring us in time to a consideration of the extent to which insurance company influence permeates areas of national importance, such as the capital markets, the supply of mortgage funds available to farmers, railroad reorganization, and perhaps the financing of low-rent housing. It will of necessity demand

inquiry as to the future of investment banking in this country, and, indeed, the extent to which insurance companies have come to dominate security issuers, underwriters and investors. These are not boundaries of our making. They inhere in the character of the insurance business.

We take as our starting point a consideration of insurance company managements and how they are elected. This is a logical point of approach, since management formulates investment policy. That, incidentally, was one of the principal problems of the Armstrong committee. It studied the responsibility of life insurance company managements to their policyholders, and the extent to which the policyholders were really able to control the managements of their companies. The Armstrong committee particularly considered the election machinery of mutual life insurance companies. We, too, will be concerned with this problem. Nearly 90 percent of the assets of our life insurance companies are controlled by mutual companies.

This question of how insurance company managements come into power is itself of great significance. Yet, in a study as broad as this one, it constitutes but a beginning. But it will be a significant first chapter of our total study.

As you know, a mutual life insurance company is a company which is legally owned and theoretically controlled by its policyholders. In such a company the policyholders combine to insure each other against death with the understanding that such savings as result from the mutual operation of the company will be equitably distributed among the policyholders. The control of a mutual company rests legally with the policyholders who are given the opportunity of voting for the directors, and, through the directors, of appointing those who are to run the affairs of their company. The Armstrong committee reported that the election machinery of the mutual companies was such as to prevent any independent expression of policyholder viewpoint. Notwithstanding their theoretical rights, policyholders were found by that committee to have no effective control over the management of their companies. Through the device of proxies and otherwise, the then officials of such companies were found to occupy, as the Armstrong report put it, "unassailable positions," and to exercise "despotic powers" over the companies. Only an extremely insignificant number of policyholders exercised their right to vote, and the Armstrong committee stated that the most fertile source of abuses in life insurance administration had been the sense of irresponsibility of the officials then in power. That was in 1906.

Since 1906 there has been a tremendous and spectacular growth of insurance. At that time there were 138 legal reserve companies with aggregate assets of about \$2,900,000,000. That was on December 31, 1906. On December 31, 1937, there were 308 legal reserve companies with aggregate assets of about \$26,200,000,000, and by the end of 1938 the amount of those total assets had further increased by nearly \$1,500,000,000.

Three individual companies in 1906 each commanded approximately one-half billion dollars in assets. The Armstrong Committee recommended that they should not be permitted to grow beyond one-half billion in size.¹ Yet today each of these three companies com-

¹Mr. Douglas subsequently clarified this statement, see *infra*, p. 1197. See also "Exhibit No. 223", appendix, p. 1515.

mands well over a billion dollars in assets. One of them, the New York Life Insurance Co., has grown from approximately \$474,000,000 in assets to about \$2,500,000,000 in assets. The Metropolitan Life Insurance Co., which then had assets of about \$176,000,000, now has assets totaling close to \$5,000,000,000. This tremendous growth is itself cause for inquiry. It provides also ample occasion for taking stock of the changes which have occurred in the three decades since the Armstrong Committee made its survey. To that end, we shall reexamine many of the problems studied by the Armstrong Committee, including the methods by which the management of these companies is elected and thereafter continued in office and the extent to which the democratic principles of mutuality are in fact preserved in operation.

During these first hearings we will concentrate upon testimony indicating the extent to which policyholders actually exercise control over the management and policies of the large mutual life insurance companies which they are said to own and control.

This inquiry will of necessity demand some examination of individual directors with a view to determining the facts and motives lying behind their nomination and election to the board of their respective companies and their continued participation on such boards following election.

The first day of the hearings will be devoted to the testimony of members of the staff of the Commission who will present to this committee, through graphs and schedules, background information indicating the size and growth of the life insurance business and its importance in our national economy. We believe that this background material will become of increasing significance as the hearings progress.

There is one word more, Mr. Chairman. Throughout the course of these hearings, it will be our endeavor to present the committee with facts and facts alone. From the start it has been our desire to conduct this inquiry in as scientific a spirit and in as objective and impartial a manner as possible. The material which we will present to the committee either will rest on incontrovertible fact or will be proven in the course of the hearings.

Our sole interest at this stage is the facts, a thorough and complete examination and presentation of all the facts pertinent to this vital problem, facts to indicate the manner in which insurance companies employ the economic power they hold.

Mr. Gesell, representing the Commission, who will conduct the examination of the witnesses on behalf of the Commission, is ready to proceed.

The CHAIRMAN. Thank you, Mr. Douglas. Mr. Gesell, are you ready to proceed as the chairman indicated?

Mr. GESELL. I am, Senator.

The CHAIRMAN. The committee will be very glad to hear you.

Mr. GESELL. The first witness is Dr. Donald H. Davenport.

The CHAIRMAN. Dr. Davenport, do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth and nothing but the truth, so help you God?

Dr. DAVENPORT. I do.

TESTIMONY OF DR. DONALD H. DAVENPORT, SPECIAL ECONOMIC
CONSULTANT TO THE INSURANCE SECTION, SECURITIES AND
EXCHANGE COMMISSION, WASHINGTON, D. C.

GROWTH, INCOME AND EXPENDITURES AND GENERAL COMPARISONS

Mr. GESELL. Dr. Davenport, you are special economic consultant to the insurance section of the Securities and Exchange Commission, are you not?

Dr. DAVENPORT. I am.

Mr. GESELL. You are on leave of absence from the Harvard School of Business Administration where you are associate professor in business statistics?

Dr. DAVENPORT. That is right.

Mr. GESELL. Previous to this time you have prepared various statistical monographs and done work as chief statistician for the California State Tax Commission and the joint legislative committee of New York State on the study of taxation and retrenchment in 1922?

Dr. DAVENPORT. That is right.

Mr. GESELL. Have you ever published other monographs and work on similar studies?

Dr. DAVENPORT. I have.

Mr. GESELL. Will you please tell generally the type of charts and information which you have assembled, to present to the committee this morning?

Dr. DAVENPORT. I have been at work preparing statistical information in the form of exhibits and charts which reveal the factual background of the development of the life insurance industry in the United States. I should like to point out the development of life insurance in the United States has proceeded to a far greater extent in this country than it has in any other country of the world. At the present time we have in force in the United States approximately 110 billions of dollars of life insurance. This is over 60 percent of the total amount of life insurance in force throughout the entire world. The problem of life insurance, therefore, is peculiar to the United States.

Mr. GESELL. Have you prepared a schedule which shows the relative amounts of life insurance in force throughout the world?

Dr. DAVENPORT. I have.

Mr. GESELL. Is this the schedule?

Dr. DAVENPORT. It is.

Mr. GESELL. I should like to have it introduced into the record.

The CHAIRMAN. It may be so ordered.

(The schedule referred to was marked "Exhibit No. 215" and is included in the appendix on p. 1511.)

The CHAIRMAN. You don't want to have this read, Mr. Gesell?

Mr. GESELL. It is just basic statistical material which may be of interest.

The CHAIRMAN. Very well.

Mr. GESELL. What is your first chart, Dr. Davenport?

Dr. DAVENPORT. The first chart is entitled "Classes of Life Insurance in Force."¹ It shows the total amount and classes thereof of insurance in force in the United States in 1900, 1910, 1920, 1930, and 1937. The chart, as you will see, is prepared on a grid that runs from zero as the base to 120 billions at the top. The first bar, that showing the amount of life insurance in force in 1900, indicates that there were at that time \$8,600,000,000 of life insurance in force in 1900.

Mr. GESELL. The majority of that was ordinary insurance, was it not?

Dr. DAVENPORT. At that time 82.6 percent was ordinary insurance, and 17.4 percent was insurance that is known as industrial insurance.

The CHAIRMAN. What is the source of your statistics?

Dr. DAVENPORT. These statistics are based upon the official reports presented each year by the Spectator Publishing Co. in the Insurance Year Book, a book that has been published now for 66 years, and is regarded by the insurance industry as the bible of the industry.

The CHAIRMAN. That is received in insurance circles as an authoritative report upon the matters which are published in it?

Dr. DAVENPORT. It is, Mr. Chairman.

Mr. PATTERSON. Mr. Chairman, couldn't the witness point to the chart so it will be a little clearer to the committee?

The CHAIRMAN. I am sure he can, but the microphones are so arranged—

Dr. DAVENPORT (interposing). I shall be glad to attempt to do so if my voice carries, and proceed in that fashion. If not, I will have to go back to the microphone.

The CHAIRMAN. Each member of the committee has his chart before him.

Dr. DAVENPORT. In 1937 the figures revealed on the bar at the extreme right of this chart show that there was at that time a total amount of \$109,600,000,000 in force in the United States companies. Seventy-six billion dollars of that amount was ordinary insurance, \$20,600,000,000 of that amount, the amount represented by the yellow section of the bar, was industrial insurance.

Mr. GESELL. Will you explain what ordinary and industrial insurance are?

Dr. DAVENPORT. I should like, in explaining the distinction between ordinary insurance and industrial insurance, to read the following:

Industrial insurance differs from ordinary insurance in important ways. Industrial insurance is sold generally without medical examination, in small amounts, but at costs that appear high in comparison with the costs of ordinary insurance. Ordinary insurance, by contrast, is almost always written for amounts larger than \$1,000 and is sold to individuals who are in the higher income classes. The premiums on ordinary insurance policies are payable annually, semiannually, quarterly, or sometimes monthly, and are usually paid by means of checks mailed to the companies' offices. On the other hand, the premiums on industrial insurance are generally collected weekly by the companies' agents, who call for the purpose at the homes of the policyholders.

Most of the life insurance companies do not write industrial insurance. Only 66 companies that do are listed in the Spectator for 1938. The size of the industrial part of the business, however, is considerable. At the end of 1937 there were 88,000,000 industrial policies in force—88,000,000 industrial policies out of a total of 124,000,000 policies of all kinds. On the other hand, the amounts involved in industrial

¹ Entered later as "Exhibit No. 216". See p. 1169.

insurance are relatively smaller than those involved in the ordinary type of insurance.

The CHAIRMAN. Does each industrial policy cover one individual?

Dr. DAVENPORT. Each industrial policy covers one individual. Perhaps I should clarify that by saying that many holders of industrial policies hold more than one policy. It is estimated that there may be as many as four policies in force in the average family holding industrial insurance. Sometimes this insurance is written on the lives of children.

At the end of 1937 the amount of industrial insurance in force was \$20,591,000,000 out of a total of \$109,572,000,000. It is undoubtedly true that industrial insurance directly affects the lives of more individuals than is the case with ordinary insurance.

Mr. GESELL. You said there were approximately 66 companies writing industrial insurance in 1937, according to the Spectator. How many companies account for that total 1937 bar?

Dr. DAVENPORT. There were 308 companies represented in the total of approximately \$110,000,000,000 of insurance. Of the 308 companies, legal reserve life insurance companies for which we have comparable and authentic figures, only 66 companies write industrial insurance.

Mr. GESELL. Your chart does not take into account the assessment companies or fraternal benefit companies?

Dr. DAVENPORT. That is right, Mr. Gesell.

Mr. GESELL. It is based entirely upon the legal reserve life insurance figures?

Dr. DAVENPORT. That is right.

Mr. GESELL. Now we have not yet discussed group insurance, Dr. Davenport, the brown portion of the chart.

Dr. DAVENPORT. Perhaps it might be well at this time to define group insurance, because it is the class of insurance that has become increasingly more important in recent years.

The CHAIRMAN. You were about to make some qualifying remark with respect to these 66 companies when the question interrupted you.

Dr. DAVENPORT. I was, Mr. Chairman. I can at this time indicate that the bulk of industrial insurance is written by three companies, the Metropolitan Life Insurance Co., the Prudential Insurance Co., and the John Hancock Insurance Co. Of the total amount of industrial insurance in force in 1937, that is as of December 31, 1937, \$20,591,000,000, \$16,770,000,000 was in force in these three large companies. In other words, 81.4 percent of all industrial insurance in force had been written by the Metropolitan Life Insurance Co., the Prudential Co., and the John Hancock Co. together.

With your permission, I will now describe the characteristics of group insurance. The best definition of group insurance is given in Mr. John H. Magee's book entitled "Life Insurance," published by Business Publications, Inc., of Chicago, in 1938. On pages 514 and 515 we find the following:

The CHAIRMAN. Who is the author?

Dr. DAVENPORT. Mr. John H. Magee.

The CHAIRMAN. Where is he from?

Dr. DAVENPORT. Mr. Magee was formerly assistant professor of economics and sociology at the University of Maine; president of the J. F. Singleton Co., insurance agency; State director of Maine for the

Federal Housing Administration; fellow of the Insurance Institute of America; insurance consultant and adjuster.

Group life insurance is that form of life insurance covering not fewer than 50 employees with or without medical examination, written under a policy issued to the employer, the premium on which is to be paid by the employer or by the employer and the employees jointly, and insuring all of his employees or all of any class or classes thereof, determined by conditions pertaining to the employment for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than the employer, provided however that when the premium is to be paid by the employer and the employee jointly, and the benefits of the policy are offered to all eligible employees, not less than 75 percent of such employees may be so insured.

Mr. GESELL. You have just read the definition of group insurance adopted in 1918 by the National Convention of Insurance Commissioners, have you not?

Dr. DAVENPORT. That is right, Mr. Gesell.

Mr. GESELL. Now are there any other facts you want to point out with respect to that chart?

Dr. DAVENPORT. The growing importance of group life insurance should be indicated. The first group policy was written in 1911. Until 1920, however, the figures on my chart do not show group life insurance separately. They were previously grouped together, or classed together with ordinary insurance, but we can see by looking at the brown section of the chart the increasing importance in absolute amount of this type of policy.

The CHAIRMAN. When did that begin to appear?

Mr. GESELL. In 1911.

Dr. DAVENPORT. The first group policy was written in 1911.

The CHAIRMAN. And when did it begin to appear in such amount that the statisticians classified it separately?

Dr. DAVENPORT. Some time after 1920.

Mr. GESELL. I would like to introduce into the record at this time a copy of the chart which Dr. Davenport has just discussed, together with a schedule containing the basic figures from which it has been prepared. These figures, as the chart indicates, come from the Statistical Abstract and Spectator Year Book.

(The chart referred to was marked "Exhibit No. 216" and appears on p. 1169. The statistical data on which this chart is based are included in the appendix on p. 1511.)

The CHAIRMAN. Without objection, that will be so ordered.

Mr. GESELL. That will be "Exhibit No. 216."

The CHAIRMAN. It would not interrupt you if I should remark at this point that, having glanced over the first exhibit which you handed in,¹ it struck me that there was a comment which might be of interest at this point. This table shows, as Dr. Davenport testified, that the amount of insurance in force in the United States on December 31, 1936, amounted to 104 million plus.

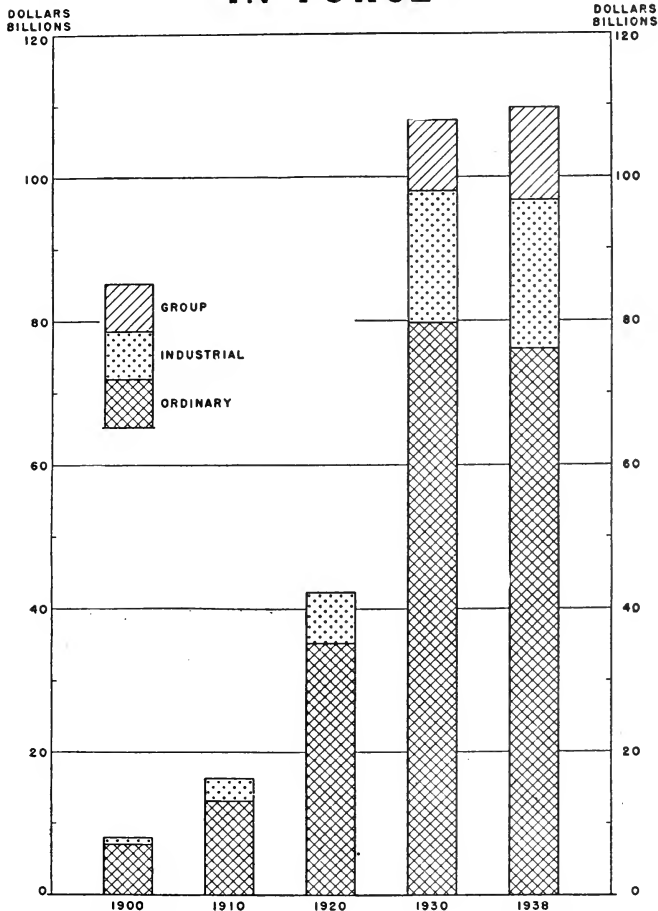
Dr. DAVENPORT. Billion plus.

The CHAIRMAN. Billions plus, and that the total throughout the world at that same time was only \$164,000,000,000, so that by far the great proportion of world insurance was carried by American companies. The nation which approaches the United States the most closely is the United Kingdom, and the total insurance in the United Kingdom was only \$16,209,000,000.

¹ See "Exhibit No. 215", *infra*, p. 1511.

EXHIBIT No. 216

CLASSES OF LIFE INSURANCE IN FORCE



SOURCE: STATISTICAL ABSTRACT
SPECTATOR YEAR BOOK

DS-1104 PREPARED BY SEC. & EXCH. COMM.

Mr. GESELL. What is your second chart, Dr. Davenport?

Dr. DAVENPORT. With your permission I should like to make a few remarks before I turn to my second chart.

It probably should be obvious to all that the business of selling life insurance is one that spreads throughout the United States. The largest companies, typically, have licenses to operate in every State in the Union, and do so operate. The Metropolitan Life Insurance, for example, operates in every State; the Prudential operates in every State; the New York Life Insurance Co. operates in every State except Texas; the Equitable operates in every State; the Mutual Life operates in every State except Texas. The Northwestern Mutual operates in 42 States, and the Travelers operates in every State. There are very few companies that are strictly intrastate companies.

Mr. GESELL. When you say "operate" you mean are licensed to do business in those States, do you not?

Dr. DAVENPORT. They are authorized to do business by the States within the boundaries of the State.

The second chart I have prepared is entitled "Life Insurance in Force and Population in the United States."¹

Mr. GESELL. From what sources has that chart been prepared?

Dr. DAVENPORT. The population figures are obtained from the Bureau of the Census as published in the Statistical Abstract of the United States. The figures for amounts of life insurance in force are obtained from the Spectator Insurance Year Books. The chart runs from 1890 to 1937, and figures for individual years have been plotted, although figures for the decennial years only are presented up to 1930, after which we have individual figures presented in the table.

I would call your attention to the fact that the scale is in millions for population and runs from 1 at the base to 200 at the top. When we are reading the amounts of life insurance in force, we should read these amounts in billions of dollars.

The population in 1890 was 62,900,000 people in continental United States. That curve rises to a peak of 129,300,000 in 1937, an increase of 105 percent. Roughly our population now is slightly more than two times as large as it was in 1890.

The insurance in force in 1890 was \$4,100,000,000; the insurance in force in 1937 is \$109,600,000,000. The increase in insurance in force is 2,500 percent. In other words, while population grew 100 percent, the amount of insurance in force increased 2,500 percent, and we may say, therefore, that the amount of insurance in force grew 25 times as rapidly as the population of the United States.

The CHAIRMAN. Well, would that follow, Dr. Davenport? Have you any figures to show the number of policies or the number of persons, rather, who are insured now, as compared with the earlier years?

Dr. DAVENPORT. It is a rather difficult thing, Mr. Chairman, to estimate the number of persons who are covered by insurance.

The CHAIRMAN. But an increase in population, of course, is an actual increase. That is based upon the number of individuals. The increase in the amount of insurance, however, cannot be measured by the same standard, because one person may have several policies.

Dr. DAVENPORT. That is right, sir. It is estimated on competent authority that the number of individual lives covered by the legal

¹ Entered later as "Exhibit No. 217", see *infra*, p. 1173.

reserve life insurance companies in the United States at the present time is about 64,000,000.

The CHAIRMAN. But your statement was that insurance had increased about 25 times as rapidly as the population. Now, if one considers the fact that one individual may have several policies, and that the amount of the policy carried by individuals varies, would you not say upon second thought that the proportion is probably considerably less than 25 to 1?

Dr. DAVENPORT. I was merely calling attention to the rates of absolute growth between the two periods, but I do not think it is unfair to compare the rate of growth of the amount of insurance in force.

The CHAIRMAN. Then your statement is merely as to the amount of insurance—it has increased 25 times as rapidly as the amount of the population?

Dr. DAVENPORT. That is right, sir.

Mr. GESELL. The black line on the chart represents the amount of life insurance in force and not the amount of policyholders.

Dr. LUBIN. Is it exactly 25 times? In other words, if the population increased 100 percent and the volume increased 2,500 percent, then the volume of insurance increased $12\frac{1}{2}$ times as fast as population?

Dr. DAVENPORT. The comparison is of a 100 percent increase with a 2,500 percent increase—the amount of insurance increased 25 times; the total of population increased about once.

Dr. LUBIN. Twenty-five times faster?

Dr. DAVENPORT. That is right.

The CHAIRMAN. Do you have figures on the increase of policy holders? I don't want to interrupt the continuity of your presentation, Dr. Davenport.

Dr. DAVENPORT. I have figures that I can lay my hands on readily, but they are not in my notes.

The CHAIRMAN. All right, we will pass the question for a moment.

Representative WILLIAMS. Did I understand you to say there were approximately 64,000,000 of them?

Dr. DAVENPORT. Mr. Julian Price, president of one of the large life insurance companies, estimated before one of the life insurance company presidents' meetings that the amount of insurance in force in the United States covered approximately 64,000,000 separate lives.

Mr. GESELL. That is the most authoritative statement that you can find, is it not?

Dr. DAVENPORT. It is the statement that the insurance industry itself gives. My own personal opinion is that that is a little optimistic.

Mr. GESELL. The difficulty in getting the exact figures arises from the fact that the companies do not publish year to year the number of policyholders in their company but rather publish the amount of insurance in force and the amount of new business written and not the increase in policyholders from year to year.

Dr. DAVENPORT. There is no way I know of without going to great trouble to eliminate the duplications because many individuals hold policies in two or more companies, and the companies themselves do not take the trouble to eliminate those duplications.

Mr. GESELL. Have you any further comments to make on the chart?

Dr. DAVENPORT. I should point out at this time perhaps that there is included in this total figure the amount of insurance written by American companies, by the United States companies, on the lives of people living abroad. The total amount of that insurance in 1937 was only \$2,000,000,000. On the other hand, this does not include the amount of life insurance in force in the United States written by such companies as the Sun Life Assurance Co. of Canada and other foreign life insurance companies doing business within our borders, nor does it include the amount of legal reserve life insurance written by the United States Government, so-called converted war-risk insurance. That amounted to \$2,590,000,000 in 1936, so the two would practically offset each other as far as total amount is concerned.

I should also like to call attention to the fact that at one time, in 1919, the United States Government had outstanding approximately \$40,000,000,000 of war-risk insurance and the \$40,000,000,000 outstanding at that time was greater than the total amount of insurance outstanding by all of the legal reserve life-insurance companies in the United States.

The CHAIRMAN. What was that year?

Dr. DAVENPORT. That was May 1919.

Representative REECE. It might be well to remark there, however, all the Government insurance outstanding was not voluntarily taken.

Dr. DAVENPORT. As an ex-member of the A. E. F. I can attest to the accuracy of that. There were at that time 4,529,000 policies written and we can say with assurance that they covered 4,529,000 lives, and that was approximately the total number of enlisted men.

(Mr. Arnold assumed the chair during Senator O'Mahoney's temporary absence.)

Mr. GESELL. Does your black line include the insurance in force through fraternal organizations and assessment organizations?

Dr. DAVENPORT. No, Mr. Gesell. This black line is based upon legal reserve life insurance written by the so-called old-line companies, the 308 companies at the present time.

Mr. GESELL. Like the previous chart, it is confined to the legal reserve companies?

Dr. DAVENPORT. That is right.

Mr. GESELL. Have you any further comments to make on this chart?

Dr. DAVENPORT. No.

Mr. GESELL. I would like to have introduced in the record a copy of the chart concerning which Dr. Davenport has just given some information, and the supporting schedules prepared from the Statistical Abstract and Spectator Year Book.

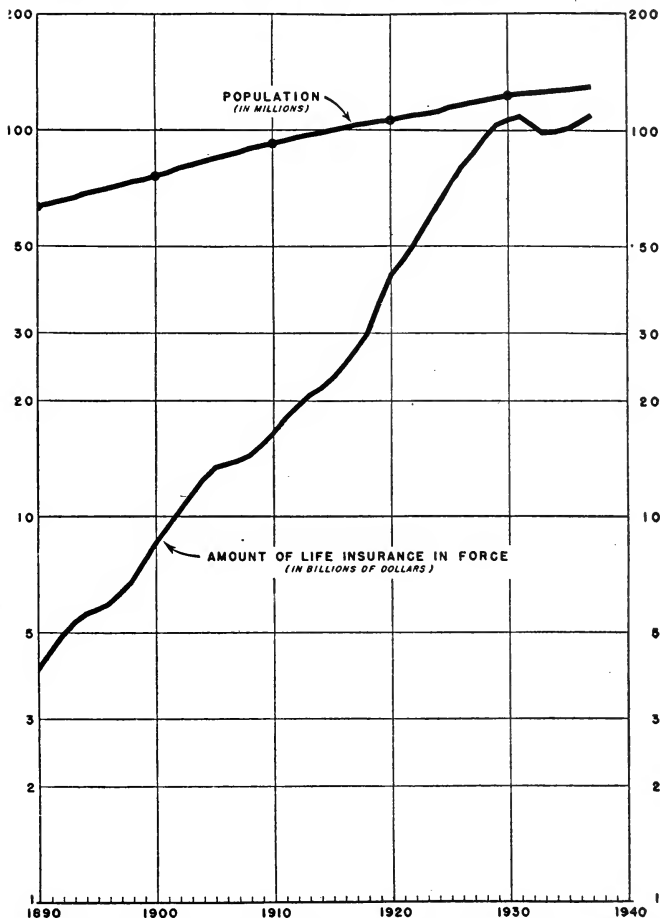
Acting Chairman ARNOLD. It may be admitted. Do you want it printed?

Mr. GESELL. Yes; as part of the record. That applies with respect to all the charts that have been introduced this morning.

(The chart referred to was marked "Exhibit No. 217" and appears on p. 1173. The statistical data on which this chart is based are included in the appendix on p. 1512.)

EXHIBIT No. 217

LIFE INSURANCE IN FORCE AND POPULATION IN THE U.S.

SOURCE: STATISTICAL ABSTRACT
SPECTATOR YEAR BOOKESTIMATED
GENSUS YEAR

DS-1101

PREPARED BY SEC. & EXCH. COMM.

Mr. GESELL. What is your next chart?

Dr. DAVENPORT. The next chart shows the income and expenditures of life insurance companies from 1865 by years to 1937.¹ The scale of this chart runs from zero at the base to \$6,000,000,000 at the top.

Mr. GESELL. May I interrupt a moment and ask you from what sources the figures on this chart have been prepared.

(The chairman, Senator O'Mahoney, resumed the chair.)

Dr. DAVENPORT. The figures for this chart come from the official reports of the life-insurance companies rendered to their respective State insurance commissioners as reported in the Spectator Insurance Year Book, and available in the Statistical Abstract of the United States.

The top curve on the chart shows the total income from all sources. That is the income which comes in from the premiums received each year, plus the income they may receive as returns from their investments, rents from the properties that they hold, dividends that are paid on any stock that they hold, or any capital gains that they may make on the disposition of their assets.

The total income curve rises from \$25,000,000 in 1865 when the industry was small to a total of \$5,257,000,000 in the year 1937.

The next curve just below the total income curve shows the amounts received from premiums paid on insurance in force.

Mr. GESELL. That total premium income is already included in the top black line of total income.

Dr. DAVENPORT. That is right.

Mr. GESELL. And you have simply taken it out for special emphasis and shown it in the dotted line.

Dr. DAVENPORT. Yes; Mr. Gesell.

The premium income in the year 1865 was \$22,000,000. The premium income in 1937 was \$3,762,000,000.

The curve that appears at the bottom is the curve that shows the total expenditures of these legal reserve life insurance companies, the total expenditures for all purposes—death claims, annuity payments, wages, salaries, commissions, taxes; the total payments for all purposes.

I should like to point out that, in the last fifty years, there were two different occasions when the premium receipts of these life insurance companies were insufficient to meet their total expenditures for all purposes. The first occasion was in the year 1918, at the time of the influenza epidemic, when the total expenditures for all purposes amounted to \$999,000,000. The premium receipts that year amounted to \$994,000,000. In other words, premium receipts that year failed by \$5,000,000 to meet the total expenditures of the companies.

Their total income from all sources, however, in 1918 was \$1,325,000,000, and left the life insurance companies with an excess of \$326,000,000, by which amount their assets increased that year.

The other occasion when premium receipts were insufficient to meet total expenditures occurred in the years 1932, 1933, and 1934, when you can see from the chart that the red curve ("total expenditures") rose above the dashed curve.

Mr. GESELL. Now your dotted line showing total premium income represents, to state it another way, money taken in from the policyholders, is that correct?

¹ See "Exhibit No. 218," *infra*, p. 1512. See also comments of Mr. Frederick H. Ecker, *infra*, p. 1236 *et seq.*

Dr. DAVENPORT. That is right.

Mr. GESELL. And the red line (bottom curve) represents money paid out to policyholders, plus money paid out for any other expenses.

Dr. DAVENPORT. Wages, salaries, commissions, taxes, and that sort of thing.

Mr. GESELL. Then your conclusion is, is it not, that except in the years 1918, 1932, 1933, and 1934, the companies took in from policyholders more money than they needed to pay out all claims to policyholders and to cover all additional expenses.

Dr. DAVENPORT. That is right.

The CHAIRMAN. Have you ever made any calculation to show the relationship from year to year between the total income and the total expenditures? In other words, what is the spread? Is the spread increasing or decreasing?

Dr. DAVENPORT. The spread, Senator, is increasing, as can be seen by the widening band between the two curves (top and bottom curves).

The CHAIRMAN. That is what impressed me as I looked at the chart and I thought it might be well to have that developed in a statistical manner if you have not already done so.

Dr. DAVENPORT. I have taken the last 20 years, a span of time that includes the influenza epidemic of 1918 and the 3 bad years of the recent depression, 1932, 1933, and 1934. The sum of the excesses of total income over total expenditure in that 20 years amounts to \$20,927,000,000, by which amount the total assets of these life insurance companies have increased in the last 20 years.

Mr. ARNOLD. In other words, had there been no reserves at all, all of the policyholders would have been paid; is that a correct statement?

Dr. DAVENPORT. The answer to that question, Mr. Arnold, is one that would require a great deal of elaboration and I should prefer that you reserve the question until we are prepared to answer it adequately.

Mr. ARNOLD. Just for my own understanding, your statement would indicate that out of current premiums over this period the policyholders could have been paid.

Dr. DAVENPORT. That is true, excepting—

Mr. ARNOLD (interposing). And while I recognize the reserves had a certain necessity in view of possible contingencies, as a matter of fact, in view of what actually happened the current income was sufficient to pay without reserves; that is true, isn't it?

Dr. DAVENPORT. That is perfectly true.

Mr. ARNOLD. And what you are referring to as the use of reserves had reference to contingencies which might have arisen but didn't.

Dr. DAVENPORT. In part.

The CHAIRMAN. Stated in another way, it might be inferred that apparently the life-insurance companies have not been compelled to operate on a deficit.

Dr. DAVENPORT. Taking the industry as a whole, they certainly have not. There have been life insurance companies that have failed, that have been liquidated. They have been small companies. Since 1930, 68 companies have been liquidated or absorbed by stronger companies, but they represent in the aggregate a small percentage because they were small companies.

Mr. DOUGLAS. The total picture is one of great strength and stability, is it not?

Dr. DAVENPORT. There is no doubt about that.

Dr. LUBIN. Dr. Davenport, I take it you have the table upon which these are based, but for my own convenience could you tell us what the total income was in 1929?

Dr. DAVENPORT. Yes, sir; in 1929 the total income from all sources was \$4,337,000,000.

Dr. LUBIN. And with a national income of 80 billion, that meant about 6 percent of the total national income went to the insurance companies.

Dr. DAVENPORT. I have a chart which will presently be presented which shows the comparison of life insurance income with the total income of the United States.¹ I have not the figures for 1929, but in 1930 the life insurance income represented 6.7 percent of total national income.²

Mr. GESELL. Your next chart will cover that in some detail, will it not?

Dr. LUBIN. Excuse me; I am sorry.

Mr. GESELL. Now, one other reservation which you had in answering Mr. Arnold's question was the fact, was it not, that of that premium income received, it is necessary to set aside a certain portion every year against the future claims which may arise as risks mature?

Dr. DAVENPORT. Yes, the life-insurance contract is a long-term contract and may run for 60 or 70 years, and the reserves accumulated on individual policies have to be adequate to meet the contingency that may arise when the policy is terminated, either by death, withdrawal or expiring, and that may be a long time after the policy is written.

Mr. GESELL. I would like to offer for the record at this time a copy of the chart which Dr. Davenport has just discussed, together with a schedule of supporting figures which are obtained from the Spectator Insurance Year Books, to be printed as part of the record.

(The chart referred to was marked "Exhibit No. 218" and appears on p. 1177. The statistical data on which this chart is based are included in the appendix on p. 1512.)

Mr. GESELL. Dr. Davenport, what is your next chart?

Dr. DAVENPORT. The next chart, Mr. Gesell, shows some of the detail of income and expenditure for the sole year 1937.³ It shows a bar on the left-hand side which represents the total income of \$5,257,000,000. On the right-hand side it represents total expenditures.

The CHAIRMAN. How many companies are included in this chart?

Dr. DAVENPORT. This chart, Senator, is based upon the same 308 companies that we have used throughout, based upon the official figures sworn to by the companies in their statements to the individual State insurance commissioners, and as collected and published by Spectator in the Insurance Year Book.

That year the total income was \$5,257,000,000. Their total expenditures for all purposes amounted to \$3,610,000,000. That year the premiums received from policyholders amounted to \$3,731,000,000,

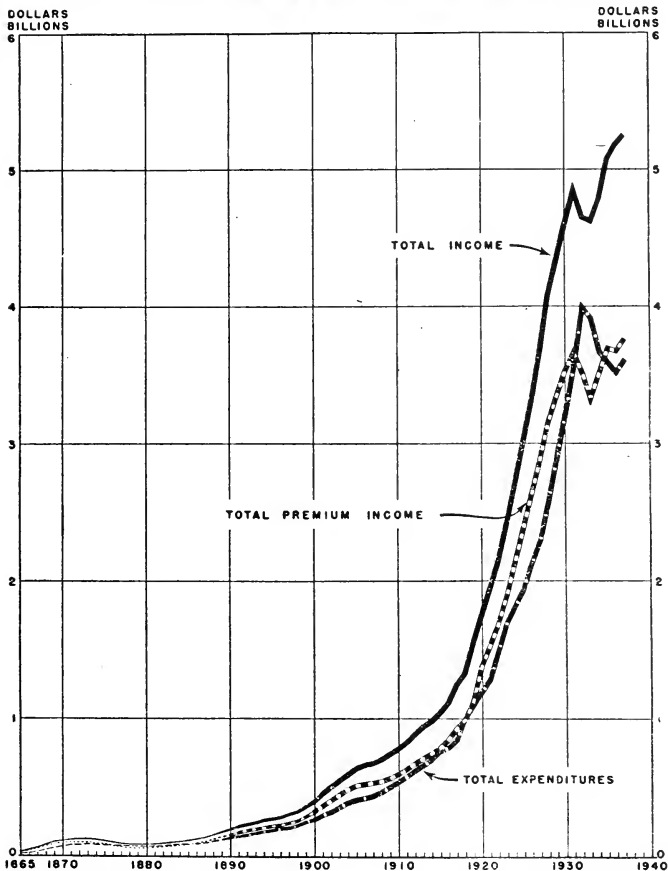
¹ See "Exhibit No. 220," *infra*, p. 1183.

² *Ibid.*, appendix, p. 1513.

³ See "Exhibit No. 219," *infra*, p. 1181. See also comments of Mr. Frederick H. Ecker, *infra*, p. 1236 et seq.

EXHIBIT No. 218

INCOME & EXPENDITURES OF LIFE INSURANCE COMPANIES



SOURCE: SPECTATOR YEAR BOOKS

DS-1107 PREPARED BY SEC. & EXCH. COMM.

which as you can see, was in excess of their expenditures for all purposes.

Other revenues of \$1,245,000,000, represented by the blue bar, came from earnings of their investments, interest, dividends, rent, and so forth. Supplementary contracts brought in in that year \$281,000,000, 5.3 percent of their total income. Supplementary contracts to a certain extent are similar to premiums received from policyholders. They represent the amounts that are left with the company by beneficiaries of policies that have matured, left with the company to assure a payment, usually a monthly payment to them over a period of years into the future.

Senator KING. So that the contingent liabilities of the companies are very great.

Dr. DAVENPORT. They are.

The total expenditures can be broken up into the payments to policyholders or to the beneficiaries of policyholders. In 1937 the companies paid out \$2,603,000,000 to policyholders or beneficiaries. That amount was 72.1 percent of their total expenditures.

Expenses for commissions, salaries, and expenses of agents, officers and employees, amounted to \$555,000,000, 15.4 percent of their total expenditures. Other expenditures amounted to \$452,000,000, 12.5 percent of their total expenditures.

Senator KING. What would come within that category?

Dr. DAVENPORT. The repairs and expenses in maintaining the real estate they have taken over by foreclosure, insurance, taxes, license fees, profits and losses, real estate taxes paid on real estate that they either own as their office buildings or that they own because they have taken them over by foreclosure, rents. Dividends to stockholders amount to \$18,000,000 only. The stock insurance companies are a relatively unimportant element in the total. Medical fees and inspection accounted for another \$18,000,000.

Mr. DOUGLAS. Are there included in payments to policyholders and beneficiaries loans on insurance company policies?

Dr. DAVENPORT. No; those constitute assets, investment upon which an interest is earned.

The CHAIRMAN. Would it be proper to add other expenses to the expenses designated there as commissions, salaries, and so forth, and call the sum the administrative cost?

Dr. DAVENPORT. I should think that that would be a perfectly fair thing to do.

The CHAIRMAN. As I notice, the other expenses constitute 12.5 percent of all expenditures, and commissions, salaries, expenses of agents, etc., constitute 15.4, so that the administrative expense on that computation would be 27.9 percent of all the expenditures.

Dr. DAVENPORT. I think that is right.

The CHAIRMAN. Is that a correct assumption, sir?

Dr. DAVENPORT. Yes.

Mr. ARNOLD. Do you intend elsewhere to separate the cost of selling and the commissions?

Dr. DAVENPORT. That will be done in great detail in our later work.

Senator KING. Did you discover in your investigations any very great losses by reason of the depreciation in the values of real estate?

Dr. DAVENPORT. Mr. Howe, who is to follow me this afternoon, will go into that in considerable detail, sir.

Senator KING. There have been very heavy losses there, have there not, but not sufficient to impair the strength of the institutions or the solvency of the policies?

Dr. DAVENPORT. The strength of the institutions is unimpaired.

Senator KING. So that those persons who have policies may be perfectly reassured as to the solvency of their policies.

Dr. DAVENPORT. I have policies myself, Senator, and I am under no fear of their insolvency.

Mr. GESELL. Dr. Davenport, one reservation on the question that the chairman asked you. In "other expenses" is included capital losses, is that not correct?

Dr. DAVENPORT. That is right.

Mr. GESELL. And in a sense you would not call capital losses an administrative expense. What do those capital losses amount to?

Dr. DAVENPORT. The total capital losses in 1937 were put down at \$74,000,000, 2.1 percent of their total expenditures.¹

Mr. GESELL. Just in passing, have you made any comparisons between income received by certain individual companies and, let's say, the income or revenue of an important State?

Dr. DAVENPORT. I have. It is interesting to compare the premium income alone, the premium income collected by certain large companies, with the total taxes collected by the States in which they are located. For example, in 1935 the Metropolitan Life Insurance Co. collected as premiums solely from the residents of New York State a total of \$147,826,000. In that year the sum total of all taxes collected by the State of New York amounted to \$315,590,000. The Metropolitan's premium income from New York State was, therefore, 47 percent as large as the State tax collection. The entire premium income of the Metropolitan Life Insurance Co. in 1935 amounted to \$939,000,000. This amount was almost three times the entire tax collections of the State of New York, the State by which the Metropolitan Life Insurance Co. is regulated.

The largest life insurance company in Wisconsin is the Northwestern Mutual Life. In 1936 this company collected a total of \$130,000,000 in premiums. That same year the total tax collections of the State of Wisconsin were only 86 million.

Mr. GESELL. Were those premiums from the residents of the State of Wisconsin?

Dr. DAVENPORT. They were total premium receipts from all their business and they operate in 42 States. In other words, the Northwestern Mutual Life Insurance Co. collected in premiums \$1.53 for every dollar of taxes collected by the State of Wisconsin, the State by which it is regulated.

I have one other similar comparison. If we have time I would be glad to give that.

The CHAIRMAN. Proceed.

Dr. DAVENPORT. There are two large Pennsylvania companies, the Penn Mutual and the Provident Mutual. Together in 1935 they collected in total premiums \$122,000,000. In that same year the total tax collections of the State of Pennsylvania amounted to \$157,000,000.

¹ Dr. Davenport subsequently corrected this statement as follows: "On the disbursement side of the summary statement contained in *The Spectator Insurance Year Book* for 1938, p. 416, appears an item of "Profit and loss, etc., \$73,610,821." This amount was erroneously taken to reflect capital losses. Instead of showing capital losses in 1937, the combined statements of the 308 companies show \$31,739,582 as a net "profit on the sale or maturity of ledger assets."

The CHAIRMAN. What year was that?

Dr. DAVENPORT. This was 1935, the only year for which we could obtain the State tax figures for Pennsylvania.

Thus it appears that these two companies collected as premiums 78 percent as much as the State of Pennsylvania collected in taxes.

Mr. GESELL. What is the source for those figures which you have just given us, Dr. Davenport?

Dr. DAVENPORT. These figures are obtained in the case of the insurance companies from the official reports made to the individual State insurance commissioners as published in the Spectator Insurance Year Book, and in the case of the State tax collections direct auditors' reports to the Social Security Board.

Senator KING. These various companies to which you referred make public annually or semiannually the activities and condition of their companies?

Dr. DAVENPORT. Yes, Senator. All of their figures become public property after the State commissioners of insurance publish their reports.

Senator KING. You found, did you not, that the reports were accurate, that is to say there was no concealment but they revealed very fully their assets and liabilities and receipts and disbursements?

Dr. DAVENPORT. Senator, the statements are sworn to by the officers of the company.

Senator KING. Did you discover in your investigations that more and more people who want a little investment or a little nest-egg take out policies in insurance companies, expecting their families upon their death will be provided for?

Dr. DAVENPORT. Yes, Senator, to an increasing extent.

Senator KING. That accounts for the large premiums, because so many take out insurance policies rather than deposit their funds in banks.

Mr. GESELL. We are coming to some very interesting comparisons on that in just a moment.

The CHAIRMAN. It might, however, be proper to remark here in the light of the comparison which Dr. Davenport has made between the income of certain insurance companies and the tax revenue of the States, that it is a common belief among citizens that the taxes are too high anyway. [Laughter.]

Mr. GESELL. I would like to have introduced in the record at this time a copy of the chart which Dr. Davenport has just discussed, to be marked as "Exhibit 219."

(The chart referred to was marked "Exhibit No. 219" and appears on p. 1181.)

Mr. GESELL. Now what is your next chart?

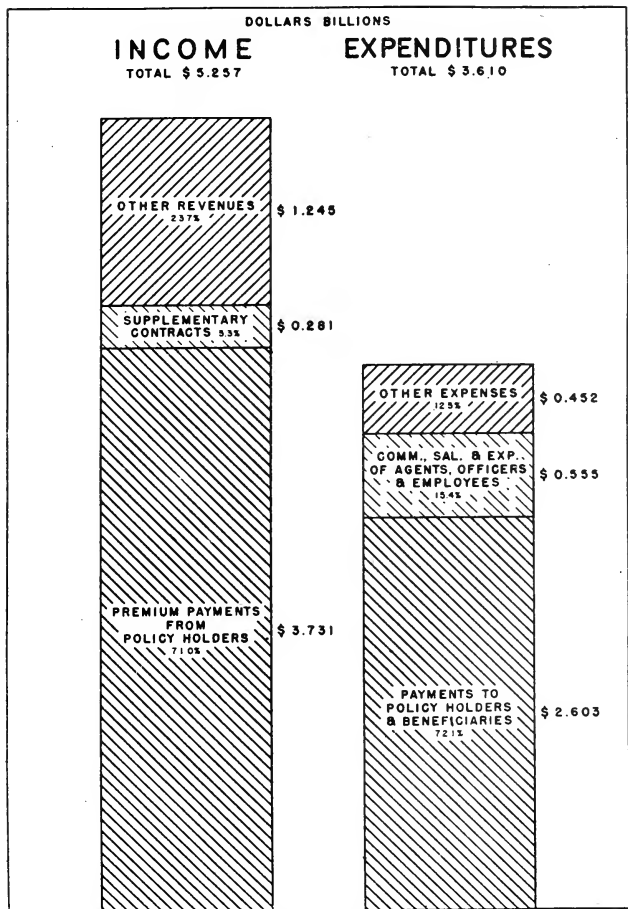
Dr. DAVENPORT. The next chart, Mr. Chairman, carries the title "Total Income of Life Insurance Companies and the National Income."¹ This chart is based upon figures released by the United States Department of Commerce on the total national income and represents the amounts produced in the years that are represented. The total income of the life-insurance companies is the same set of figures that I gave you before in another connection and is based upon the official figures released by the individual companies to the respective commissioners of insurance. The chart runs from \$10,000,000 at the

¹ See "Exhibit No. 220", *infra*, p. 1183.

EXHIBIT No. 219

DISTRIBUTION OF INCOME AND EXPENDITURES*

1937



* 308 LEGAL RESERVE LIFE INSURANCE COMPANIES

SOURCE: SPECTATOR YEAR BOOK

DS-1105 PREPARED BY SEC. & EXCH. COMM.

base to \$100,000,000,000 at the top, and shows the figures from 1880 through 1937.

The total income of life-insurance companies in 1880 was \$80,000,000. In 1937 the total income of life-insurance companies was \$5,257,000,000. The income of the life insurance companies in this period increased 6400 percent. The national income in 1880 was \$7,400,000,000 and in 1937 \$69,800,000,000, an increase of 840 percent.

MR. GESELL. What were the years when the total income of the life insurance companies accounted for the greatest percentages of the national income?

DR. DAVENPORT. The percentage ratio of life insurance income to total national income rose from one-tenth of 1 percent in 1880, 1.6 percent in 1890, 2.2 percent in 1900, 2.5 percent in 1910, 2.8 percent in 1915, 2.6 percent in 1920, 4.1 percent in 1925, 6.7 percent in 1930, 9 percent in 1931, 11.6 percent in 1932. That Mr. Gesell, was the peak.

MR. GESELL. Since then it has fallen off until in 1937 the figure was 7.5 percent, is that correct?

DR. DAVENPORT. That is right.

DR. LUBIN. Could we get the same figures into the record based on premium income?

DR. DAVENPORT. I do not have those figures at hand, but I can prepare them for you and shall do so.¹

MR. GESELL. Have you any further comments you wish to make on the chart?

DR. DAVENPORT. One or two observations might throw these figures into some perspective. In 1937 the entire total income of life insurance companies amounted to \$5,257,000,000, an amount which was one and one-half times as great as the value of our exports that year and only slightly less than the total ordinary receipts of the United States Government.

MR. GESELL. I should like to introduce into the record at this time a copy of the chart which has just been discussed, together with a schedule containing the supporting statistics, to be marked as "Exhibit No. 220."

THE CHAIRMAN. Without objection, it may be so ordered.

(The chart referred to was marked "Exhibit No. 220" and appears on p. 1183. The statistical data on which this chart is based are included in the appendix on p. 1513.)

MR. GESELL. Now your next chart is entitled "Assets of Formal Savings Institutions in United States,"² is it not?

DR. DAVENPORT. This is the chart with that title.

MR. GESELL. From what sources of information has it been prepared?

DR. DAVENPORT. This chart is based on figures which were published in the Statistical Abstract of the United States for 1937.

THE CHAIRMAN. What is meant by the phrase, "formal savings institutions"?

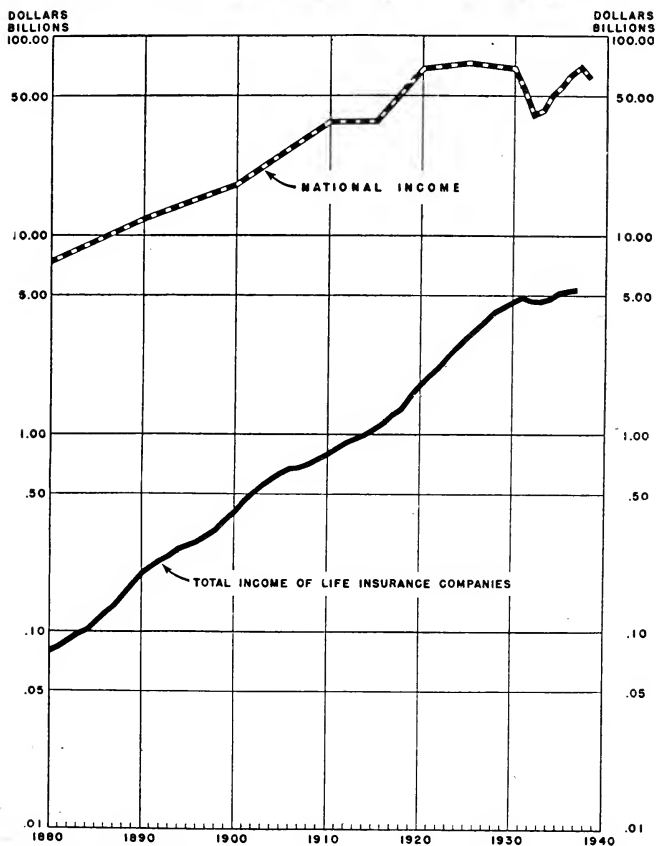
DR. DAVENPORT. The formal savings institutions include the life-insurance companies, the mutual savings banks, the building and loan associations or institutions of that type, including at the present time the Federal savings and loan associations, and the savings depart-

¹ Dr. Davenport subsequently submitted premium income figures and a revised chart. Both are included in the appendix on pp. 1642 and 1643.

² See "Exhibit No. 221", *infra*, p. 1189.

EXHIBIT No. 220

TOTAL INCOME OF LIFE INSURANCE COMPANIES & THE NATIONAL INCOME

SOURCE: U.S. DEPT. OF COMMERCE
SPECTATOR YEAR BOOK

OS-1108 PREPARED BY SEC. & EXCH. COMM.

ments of the commercial banks. It does not include postal savings, Christmas funds, credit unions, the amounts that you may have saved in the old tin box or corporate surpluses that are piled up. It is not a picture of total savings in your economy; merely the formal institutions that are employed by individuals in accumulating a nest egg.

The CHAIRMAN. Thank you, Doctor.

Mr. GESELL. Will you explain each of those lines rather carefully because there are so many of them on the chart.

Dr. DAVENPORT. I first point out that the chart starts in 1910, the first year for which we may obtain comparable and authentic figures, and it runs through 1937. The figures for individual years are plotted. The red curve shows the savings deposits in the hands of the State and National banks, the so-called commercial banks. The heavy black curve represents the total assets of life-insurance companies. The dashed curve appears under the previous two and represents the total assets of mutual savings banks, and the bottom curve represents the total assets of building and loan associations.

The CHAIRMAN. Have you compared the assets of the life insurance companies with the postal savings deposits?

Dr. DAVENPORT. The postal savings deposits at the present time amount to about a billion and a half.

Mr. GESELL. As compared with what figure for the insurance companies?

Dr. DAVENPORT. As compared with \$26,249,000,000 for the life insurance companies.

The CHAIRMAN. It is probable that a chart which would plot the two lines of life-insurance company assets and postal-savings deposits during this period covered by this chart would be very illuminating.¹ I may say that I had occasion several years ago to become acquainted with the Postal Savings System, and I was very much interested to note that the increase of postal savings foreshadowed the banking crisis. The people were turning in greater and greater number away from the banks and to the postal savings system as the fear of the economic status grew, and I think a similar comparison would be of great interest to this committee if you could make it, Dr. Davenport.

Dr. DAVENPORT. I shall see that that is made. I can say that between 1930 and 1937 the postal savings deposits in the United States increased approximately \$1,000,000,000. That was over the troubled period to which you referred.

Senator KING. I suppose you discovered that many of these savings to which you referred, whether they be in postal banks or in commercial banks, consisted of Government bonds, did you not? Were they cash savings or were those cash savings converted into Government bonds?

Dr. DAVENPORT. You mean by the individual institutions themselves—they invested them in Government bonds?

Senator KING. Yes.

Dr. DAVENPORT. I have no way of speaking authoritatively about that at the present time, Senator. I know that the savings banks, for example, are subject to about the same restrictions in their assets that govern the life insurance companies. In Massachusetts the

¹ Dr. Davenport subsequently submitted figures and a chart showing postal savings deposits. Both are included in the appendix on pp. 1644 and 1645.

savings banks have approximately 50 percent of their deposits invested in mortgages and, to their sorrow at the present time, real estate.

Senator KING. The point I was trying to make is that these figures which you have given do not indicate that these various corporations have cash on hand to the extent that you have indicated.

Dr. DAVENPORT. No; they are the assets.

Senator KING. They are invested in mortgages and in Government bonds and in other securities.

Dr. DAVENPORT. They are permitted to invest in securities of municipalities, of States, of the United States Government, in mortgages, real estate, public utility bonds.

Mr. GESELL. We will come to that in some greater detail through the next witness.

Dr. DAVENPORT. The chart based on the aggregates reflecting the growth of these four principal types of savings institutions in the United States raises certain questions to which we cannot give final answer at this time; however, it is apparent that the life insurance companies have never shown a decline. Every year for which figures are available total assets of life insurance companies show an increase over the assets of the year before. This was true in 1918, the year of the influenza epidemic when death losses were exceptionally high. It was also true throughout the depression years of 1932, 1933, and 1934. In this respect the life insurance companies are unique among financial institutions. The reasons for the momentum which has carried the life-insurance companies ever upward are many. Among them may be mentioned the fact that premium receipts, which constituted about 72 percent of their total income in 1937, have been almost always more than sufficient to meet expenditures for all purposes. This was not so in 1918; the amount of the deficiency then was \$5,000,000.

The CHAIRMAN. And would it be proper to say that this steady increase of the assets of the life insurance companies, while the assets of other institutions have varied up and down, accounts, in part at least, for the condition which was represented on your chart entitled "Income and expenditure of life insurance companies";¹ namely, the increasing spread of the other income of life insurance companies as compared with the expenditure?

Dr. DAVENPORT. That is certainly a very important factor.

The CHAIRMAN. In other words, as the assets of the insurance companies accumulate, a greater and greater proportion of the income of the insurance companies is derived from their investment in the economic affairs of the Nation.

Dr. DAVENPORT. And as has also been the case, their total income is always greater than their total expenditure; their assets must increase.

Senator KING. They constitute a reservoir to which many enterprises of merit resort for their capital needs.

Dr. DAVENPORT. Public utilities, municipalities, State, and United States Government, people who have real estate and want to borrow on their real estate—all go to life insurance companies.

¹ See "Exhibit No. 218", *supra*, p. 1177.

Mr. ARNOLD. Will you clear something up for me? I had thought that this chart, "Income and Expenditures,"¹ indicated that the premiums themselves, without recourse to either the reserves or the interest on the reserves, would have been sufficient to take care of the total expenditures except for those three times shown on the chart. Isn't that true?

Dr. DAVENPORT. That is correct.

Mr. ARNOLD. So that the increase in the reserves and the interest on the reserves would have nothing to do with that spread between those two black lines? Am I right about that?

Dr. DAVENPORT. The top line on the chart entitled "Income and Expenditures of Life Insurance Companies" represents their total income from all sources and includes the figure for the premium income, and the spread between the premium income and the total income represents what they have earned that year and received as income from their investments.

Mr. GESELL. This chart that we are discussing now relates to assets, does it not?

Dr. DAVENPORT. That is right.

Senator KING. That is, assets of formal savings institutions.

Mr. GESELL. That is correct.

Dr. DAVENPORT. And the growth in assets is represented by the difference between total income and total expenditures. Even in the 3 years of the depression, 1932, 1933, and 1934, total income of life insurance companies was \$326,000,000 greater than their total expenditures, and their total assets grew by that amount, while the assets of other formal savings institutions were being drawn off and reduced.

May I correct that statement? I would like to clarify one point. During these 3 years the excess of income over expenditures amounted to almost 2½ billion dollars by which their assets increased in the worst years of the depression.

Mr. GESELL. Can you give us any reasons for this growth of life insurance assets, Dr. Davenport?

Dr. DAVENPORT. There are two important reasons for the persistent growth of life insurance assets which may be mentioned. Both are deeply rooted in the very nature of the institution of life insurance. First, it may be pointed out that in thinking of his life insurance, the policyholder regards the face amount of his insurance as the primary measure of his protection. The actual cash surrender value of his policy may be extremely small, as it is in the case of policies that have been in force only a short time. It is always substantially less than the face value of the insurance. The overall average of all policies in force shows that the cash surrender value is less than one-fifth of the amount of the insurance in force. Thus an individual who has a \$1,000 life insurance policy that has been in effect an average period of time would be able to obtain by surrendering it not more than \$200. In his mind he would have to sacrifice the protection which \$1,000 would represent to his family in case of his death for only \$200 in cash. Under these circumstances it is easy to understand why he would hesitate to withdraw his savings on such a policy and why he would first turn to other resources.

Second, the insured person knows that by reason of the increase in his age or the possible impairment in his health since he first took out

¹ See "Exhibit No. 218", supra, p. 1177.

his policy, it might be difficult or even impossible for him to take out a new life insurance policy. In any event, he is sure that a new insurance policy would certainly cost him a great deal more money. Policyholders, therefore, regard their life insurance policies as their last resource and hold on to them until other forms of resources have been exhausted. Even then the policyholder will generally seek a loan on his policy or give notes to the company for his premiums rather than actually surrender his policy.

The other types of savings institutions stand in a less advantageous position in this respect. Age and health have nothing to do with the possibility of opening or closing a savings account in a mutual savings bank or a savings account in a commercial bank.

Senator KING. I assume that the life insurance companies do not encourage the surrender of the policies but rather encourage a continuity of them.

Dr. DAVENPORT. That is correct, Senator. Moreover, the protection that is offered by savings deposits in savings banks can never be greater than the amount on deposit, whereas in the case of the life insurance company the protection that is offered is five times as great on the average as the amount of cash that could be obtained.

Savings entrusted to the life insurance companies are, therefore, the last to be withdrawn. It is natural, therefore, that the assets of the savings banks and the commercial banks and even the building and loan associations should be reduced in periods of depression.

Another feature of life insurance shared to only a limited extent by building and loan associations is the systematic, routinized method of premium collections that tends to maintain income to the life insurance companies even in the condition of great hardships to the policyholders. The failure to continue premium payments carries with it penalties which in time result in the lapse of the insurance and the loss of protection. This feature of life insurance intensifies the tendencies of policyholders to cling to their insurance and to maintain their premium payments until other resources fail.

The CHAIRMAN. Your testimony tends to strengthen the statement made by Chairman Douglas at the outset, that outstanding policies are very firmly based upon the present assets of these companies.

Dr. DAVENPORT. Exactly.

Mr. GESELL. You would say, then, really, that the life insurance companies are a unique form of savings institution, are they not?

Dr. DAVENPORT. That is the conclusion that comes inevitably from this analysis. Life insurance is a unique form of savings institution. Its basic characteristics are such that it continues to grow even in times of great economic depression. The implications of this tendency toward the concentration of savings and the control thereof by life insurance companies raises questions for the consideration of this committee, and they constitute a basic subject for our inquiry. But the final answer cannot be given at this time.

Senator KING. One inquiry may I make: Did you find that the State laws under which these corporations exist tend to maintain the institutions and to prevent fly-by-night organizations from obtaining charters to engage in life insurance business?

Dr. DAVENPORT. Senator, with respect to the large States in which the large life insurance companies are incorporated and do business, I can answer that definitely in the affirmative. The companies that

have failed, were small companies, were companies that were young companies and were not companies that were organized and doing business where the great bulk of the life insurance is done.

The CHAIRMAN. In other words, it is your testimony that the insurance laws of the States in which the bulk of, or the largest proportion of, life insurance companies are incorporated, are well calculated to protect the policyholders.

Dr. DAVENPORT. Mr. Chairman, I am not a lawyer and I do not presume to say that I am competent to answer that question. We intend to go into that in great detail.

The CHAIRMAN. Then I didn't quite understand your answer to Senator King.

Dr. DAVENPORT. My general impression, Senator—perhaps I should say it is a personal opinion—

Senator KING (interposing). Well, from your examination of these various institutions about which you have testified, it would seem to me you would have some conclusion as to whether the laws under which they are organized afford reasonable protection to the policyholders.

Mr. GESELL. Your studies have been entirely statistical, have they not?

Dr. DAVENPORT. They have.

Mr. GESELL. You have made no inquiry into the working of any individual companies?

Dr. DAVENPORT. No.

Mr. GESELL. And the opinion you have expressed is simply your personal opinion, which you have derived from a reading of the literature?

Dr. DAVENPORT. And from a study of the assets of these institutions.

Mr. GESELL. But it has not been a particular objective of your study to examine the activities of insurance companies as they relate to regulations by State authorities?

Dr. DAVENPORT. That is perfectly true.

Senator KING. However, your study shows these large assets, the solvency—more than solvency, if I may use that expression—and indicates these institutions have been well managed, and that they must have been organized upon a sound and satisfactory law.

Dr. DAVENPORT. One cannot help but be impressed by the continued growth in the assets of these companies.

Mr. DOUGLAS. We will present, Mr. Chairman, considerable evidence, facts relative to that line of inquiry at subsequent sessions of the hearings.

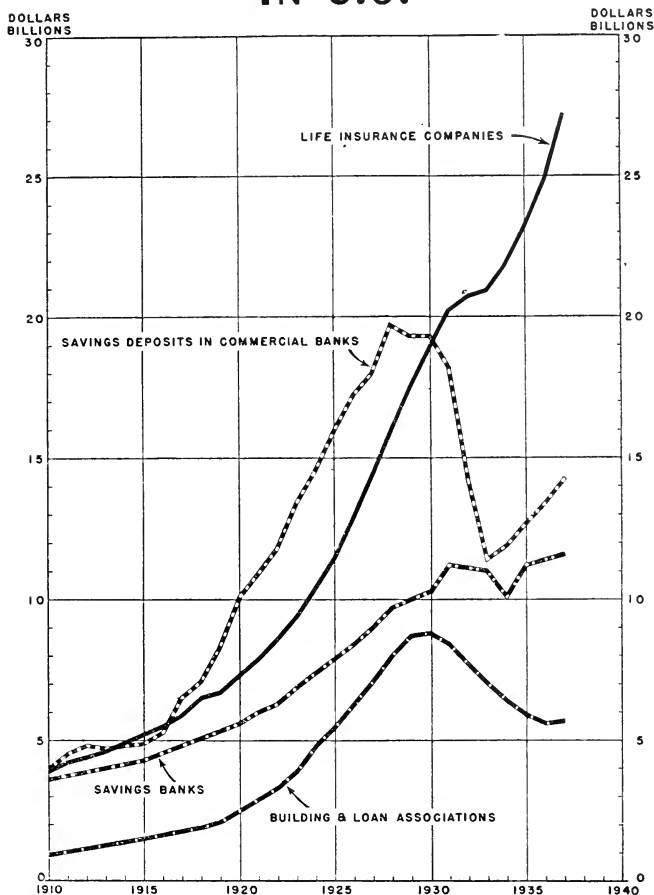
Mr. GESELL. I would like to introduce into the record at this time the chart which Dr. Davenport has just been discussing, together with a schedule showing the supporting statistical data and the sources from which it has been obtained.

The CHAIRMAN. Without objection, it may be admitted.

(The chart referred to was marked "Exhibit No. 221" and appears on p. 1189. The statistical data on which this chart is based are included in the appendix on p. 1513.)

EXHIBIT No. 221

ASSETS OF FORMAL SAVINGS INSTITUTIONS IN U.S.



SOURCE: STATISTICAL ABSTRACT

DS-1102 PREPARED BY SEC. & EXCH. COMM.

Mr. GESELL. The next chart is your last one, is it not?

Dr. DAVENPORT. Before I turn to the last chart, Mr. Gesell, if I may I should like to state the value of the assets of these companies so that we may obtain some perspective on their relative size. The total assets of life-insurance companies in 1937 were equal to 85 percent of the total assets of all national banks in the United States. Another comparison that might illuminate their relative importance is that their assets are twice as great as the total assets of the Federal Reserve banks.

The CHAIRMAN. Are you now referring to the same number of companies?

Dr. DAVENPORT. The same number of companies, 308——

The CHAIRMAN (interposing). Out of how many?

Dr. DAVENPORT. We had replies from about 327 companies to which we sent questionnaires. Many of them, those that are not included in the 308, were insignificant small companies for which complete returns couldn't be obtained, so that you can say the 308 companies constitute the life insurance business of the United States.

Mr. GESELL. The legal reserve life insurance business, is that not correct? You have not included the assessment companies or the fraternal benefit companies.

Dr. DAVENPORT. As yet our inquiries have not progressed to the state where we include the fraternal companies that also write life insurance, or the assessment companies.

Mr. GESELL. Statistical material with reference to those companies is not readily available in published manuals, is it, to the extent that it is with regard to the legal reserve companies?

Dr. DAVENPORT. No.

The total assets of life insurance companies in 1935 were equivalent to 70 percent of the value represented by the total of all land and buildings in the farms of the United States.

The CHAIRMAN. What percentage?

Dr. DAVENPORT. Seventy percent of the value of lands and buildings together on the farms in the United States.

The CHAIRMAN. All farms?

Dr. DAVENPORT. All farms. That is for 1935, the latest date for which we can obtain the figures of agricultural industry valuation.

Another interesting comparison can be made with the total assessed valuation of the real estate and special franchises of New York City, which were announced on February 2 of this year, and printed in the New York Times as of that date. The official assessed value of all the taxable real estate in New York City was reported as \$16,736,000,000. This includes all real estate as well as the valuation of special franchises. Comparing the figure with the admitted assets of life insurance companies, \$26,249,000,000, indicates that the life insurance company assets are equivalent to $1\frac{1}{2}$ times the total assessed value of all taxable real property in New York City.

Mr. GESELL. Those comparisons that you have made are made simply to give some basis for judging the size of these companies, and not on any theory that the two matters compared are in all respects comparable?

Dr. DAVENPORT. Merely to give perspective. These figures are in astronomical terms and it is rather difficult to appraise their relative importance unless we do throw them up against something which we can visualize.

Mr. GESELL. What is your last chart, Doctor?

Dr. DAVENPORT. The last chart, Mr. Gesell, is the one that is entitled, "Assets of Life Insurance Companies as of December 31, 1937."¹

Mr. GESELL. From what sources has it been prepared?

Dr. DAVENPORT. This chart is based upon the official figures obtained from the reports that the companies make to the individual State life insurance commissioners as published in the Spectator Year Book on Insurance. It is a chart, the intention of which is to show the relative magnitudes of the largest life insurance companies doing business in the United States. The 16 largest companies in 1937 held 80.6 percent of the total assets of all of these life insurance companies.

Mr. GESELL. What were the top 5 companies, in order of their size, of these principal 16 companies?

Dr. DAVENPORT. The largest life insurance company in the United States and in the world is the Metropolitan Life Insurance Co., which had assets of \$4,700,000,000 in 1937. This amount accounted for 18 percent of the total assets of these companies.

Mr. GESELL. It is a mutual company, is it not?

Dr. DAVENPORT. It is a mutual company, Mr. Gesell

Mr. GESELL. What is the next largest?

Dr. DAVENPORT. The next largest company is the Prudential Insurance Co., with assets of \$3,500,000,000, accounting for 13.7 percent of the total.

Mr. GESELL. Now, is the Prudential a mutual company or a mixed company?

Mr. DAVENPORT. Technically, the Prudential is known as a mixed company. It still has stock outstanding. The amount of stock not held in the hands of trustees for the benefit of policyholders, however, is an insignificant amount. All policies now sold by the Prudential Life Insurance Co. are on a participating basis, therefore, to all intents and purposes we may refer to the Prudential Life Insurance Co. as a mutual company.

Mr. GESELL. What is your next company?

Dr. DAVENPORT. The next company is the New York Life Insurance Co., \$2,500,000,000, accounting for 9.6 percent; the Equitable, \$2,100,000,000, comes next, with assets of 8 percent, and the Mutual of New York, with \$1,300,000,000, accounting for 5.1 percent.

Mr. GESELL. Those major five companies with the exception of the Prudential, which is subject to some qualification, are all mutual companies, are they not?

Dr. DAVENPORT. They are all mutual companies.

Mr. GESELL. And what percentage of the total assets of the legal reserve life insurance companies do they account for?

Dr. DAVENPORT. These five largest companies control 54.4 percent of the total assets of all life insurance companies.

Mr. GESELL. That is over half?

Dr. DAVENPORT. Fifty-four point four percent. There are 11 more large companies. In the aggregate they have assets of \$6,800,000,000, accounting for 26.2 percent. The 16 companies, the 5 big ones in the New York area and the 11 next largest companies, account for 80.6

¹ See "Exhibit No. 222", *infra*, p. 1195.

percent of all life insurance company assets. The remaining 292 companies have total assets of \$5,100,000,000 and account for 19.4 percent of the total.

Mr. GESELL. How many of those 11 companies which come between the 292 and the top 5 are mutual companies, and can you give us the names of the companies and indicate whether they are mutual or stock?

Dr. DAVENPORT. The 11 companies are as follows: Northwestern Mutual—

Mr. GESELL (interposing). This is in order of their size?

Dr. DAVENPORT. This is in order of their size.

Northwestern Mutual Co., Milwaukee, Wis., with assets of \$1,178,000,000.

The Travelers Insurance Co., of Hartford, Conn., is a stock company. It does not sell participating insurance, and has assets of \$914,000,000.

Next is John Hancock Mutual Life, of Boston, Mass., a mutual company with assets of \$855,000,000.

The Penn Mutual Co., of Philadelphia, Pa., comes next, with assets of \$668,000,000.

The Mutual Benefit Life of Newark, N. J., comes next with assets of \$646,000,000.

The Massachusetts Mutual of Springfield, Mass., comes next, with assets of \$610,000,000.

The Aetna Life, of Hartford, Conn., comes next, with assets of \$577,000,000.

Mr. GESELL. That is a stock company, is it not?

Dr. DAVENPORT. That is right. The Aetna Life Insurance Co. is a stock company, but it sells both participating and nonparticipating life insurance policies.

The New England Mutual of Boston, Mass., has assets of \$402,000,000.

The Union Central, of Cincinnati, Ohio, has assets of \$359,000,000.

Mr. GESELL. Is it a stock or a mutual company? It is a stock company, is it not?

Dr. DAVENPORT. That, I believe, is a stock company. Yes; it is a stock company; but it sells both participating and nonparticipating policies.

The fifteenth company in size is the Provident Mutual Life of Philadelphia, with assets of \$331,000,000.

Mr. GESELL. Then, just to recapitulate for a second, except for the Travelers, Aetna, Union Central, and the Prudential, concerning which there is some qualification, the companies constituting the top 16 companies are all mutual in character, are they not?

Dr. DAVENPORT. That is right, Mr. Gesell.

Mr. GESELL. How do these companies distribute themselves in terms of their home office locations? That is shown by the right-hand bar of your chart, is it not?

The CHAIRMAN. Before you go to that, Dr. Davenport, may I ask you to make a computation and insert it in the record at this point as to the percentage of the assets of all companies controlled by these mutual companies which you have just listed, which are included among the 16 largest companies?

Dr. DAVENPORT. I shall be happy to do that, Senator. I have such a tabulation which I can read to you now, if you would care to have the information.

The CHAIRMAN. I think that would be well. This would be the proper place for it.

Dr. DAVENPORT. This relates to the degree of mutuality in the 25 largest life-insurance companies. Of the 25 largest companies owning 87.1 percent of all life-insurance company assets, reporting in 1937, only two, the Travelers and Western & Southern, are purely proprietary companies, now selling only nonparticipating life insurance. These two companies together account for only 4.1 percent of the total life insurance company assets.

In addition, there are 5 of the largest 25 companies that are stock companies but which are mutualized to the extent that they have in force both participating and nonparticipating insurance policies. These companies are as follows: The Aetna, the Union Central, the Connecticut General, the Equitable of Iowa, and the Lincoln National, and I have the figures of insurance in force both on a participating basis and a nonparticipating basis, which shows that for these 5 companies, taken together, they have five billion, five of nonparticipating insurance and two billion, two of participating insurance.

Mr. GESELL. When you say five billion five and two billion two, you mean—

Dr. DAVENPORT. May I state that over again?

These five companies which are stock companies, but which sell both participating and nonparticipating life insurance, had nonparticipating life insurance in force to the extent of \$5,575,000,000, and the participating, where the stockholder gets a share of the dividends—

The CHAIRMAN (interposing). You mean where the policyholder.

Dr. DAVENPORT. Where the policyholder gets a share of the dividends, the participating insurance in force in these five companies amounted to \$2,176,000,000. From this it appears that in the case of these five stock companies comprising 28 percent of the insurance—let me state that over again; from this it appears in the case of these five companies 28 percent of the insurance they have in force was written on the participating plan.

Mr. GESELL. Does that cover what you wanted, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. GESELL. Can you give us very briefly the facts concerning the geographical location of these principal companies?

Dr. DAVENPORT. Another aspect of this concentration of control is revealed in the bar on this chart that appears to the right. Six of the largest 25 companies are in the New York City area, 4 in New York City proper, 2 in Newark, N. J., approximately 10 miles away from New York City. These 6 companies control 56.9 percent of the total assets of all life insurance companies. There are 10 of the 25 largest companies in the United States that have their home offices located in New England. These 10 companies control 17.2 percent of the total assets. If we take the total 25 largest companies in the United States, we include 1 in California, 1 in Wisconsin, 2 in Iowa, 2 in Philadelphia, 3 in Ohio and Indiana. Those 25 companies control 87.2 percent of the total assets of all life insurance companies.

Mr. GESELL. And companies operating in the New York area and in New England, that is, having their home offices there, account for 74.1 percent of the total assets of all of the 308 companies to which that chart relates.

Dr. DAVENPORT. That figure is correct, Mr. Gesell.

The CHAIRMAN. What is that percentage?

Mr. GESELL. 74.1, if my figures are correct. It is a combination of the 17.2 for New England—

Dr. DAVENPORT (interposing). The sum of these 6 in the New York area and the 10.

Senator KING. Did you find that loans were made quite generally throughout the United States?

Dr. DAVENPORT. Yes. Policy loans are made regardless of State lines.

Senator KING. There seems to be no discrimination in favor of loans in New York or Pennsylvania or some of these highly industrialized States—

Dr. DAVENPORT. You are speaking now of policy loans, Senator, or other forms?

Senator KING. Other forms of loans, loans for capitalistic purposes, loans upon real estate, loans for railroad corporations, and so on.

Mr. GESELL. We are making studies of the distribution of investments now. Some reference will be made to it by the next witness.

The CHAIRMAN. It is probable that they don't discriminate against Utah.

Senator KING. I am sure they wouldn't, because their loans in Utah would be so sound and secure.

The CHAIRMAN. I knew you would have some good answer.

Senator KING. They would seek loans there.

Mr. GESELL. Have you any further comments to make on this chart, Doctor?

Dr. DAVENPORT. It might be interesting to throw the size of the Metropolitan Life Insurance Co. into some perspective. It will take just a moment. The Metropolitan Life Insurance Co. is the largest life-insurance company in the world, but it should be noted that in 1937, with a single exception of the American Telephone and Telegraph Co. the Metropolitan had aggregate assets greater than those held by any other single industrial or banking concern in the United States, not excepting the United States Steel Corporation, Pennsylvania Railroad, General Motors, New York Central Railroad, or the Chase National Bank.

The CHAIRMAN. What was the total figure?

Dr. DAVENPORT. I have no comparison on the total figure.

The CHAIRMAN. You know what the total assets of the Metropolitan are?

Dr. DAVENPORT. They are \$4,700,000,000.

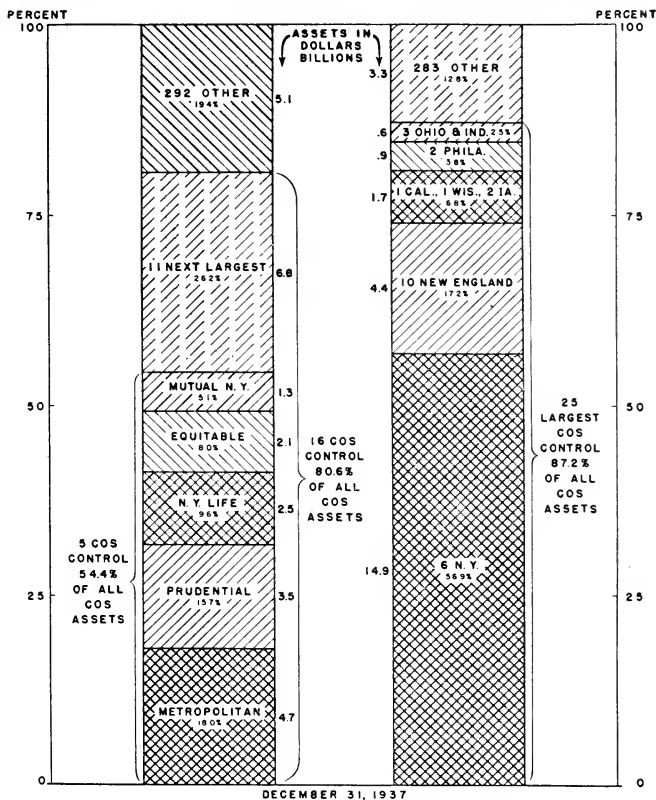
Mr. GESELL. I would like to introduce in the record at this time a copy of the chart which Dr. Davenport just discussed, together with two schedules which give further information concerning the assets of the companies involved.

The CHAIRMAN. It may be so ordered.

(The chart referred to was marked "Exhibit No. 222" and appears on p. 1195. The statistical data on which this chart is based are included in the appendix on p. 1514.)

EXHIBIT No. 222

ASSETS OF LIFE INSURANCE COMPANIES



The CHAIRMAN. These schedules which you have offered with each one of these charts were, I presume, prepared in the S. E. C. under the direction of Dr. Davenport or some member of the staff.

Mr. GESELL. That is correct, and the source of the figures is indicated on each schedule, and they have been checked.

Dr. DAVENPORT. Mr. Chairman, the full significance of such large amounts of assets is not revealed by merely stating the figures. The assets of railroads and other industrial corporations consist mainly of fixed assets, plant and equipment. On the other hand, as Mr. Howe will show this afternoon, over 50 percent of the assets of life insurance companies are cash and marketable securities, consequently these companies exert a far greater influence on our financial markets and on our general economy than industrial concerns of similar size.

The charts that I presented point to the conclusion that a very unusual degree of public interest attaches to the management of the life insurance companies. Not only is insurance a business of great size, but it directly affects the stability of our society. Millions of families regard their life insurance policies as their principal protection in the case of the death of the breadwinner. The assets of life insurance companies, now totaling over \$27,000,000,000, have been accumulated out of the savings of these families.

Not only is the business important because of the responsibility that attaches to the custody of the savings of these millions of persons, but the investment of such large sums of money makes the insurance companies a power to be reckoned with in the capital market.

Senator KING. One question. Will you state the number of policyholders in these companies to which you have been referring?

Dr. DAVENPORT. At the present time there are about 125,000,000 policies in force. The exact number of individual lives insured by those policies is something that has been estimated, but it has not been counted. Mr. Julian Price, president of one of the large life insurance companies, recently stated that the number of individual lives insured was approximately 64,000,000. That would mean roughly one out of every two people in the United States had a policy on his life.

Senator KING. Of course, those policies would protect their families, and the families might be from two to half a dozen or more, also their estates might be protected by the policies.

The CHAIRMAN. And the testimony indicates not only that one individual out of every two in the entire population of the United States, including men, women and children, carries a policy, but that most of these policies by far are in mutual companies, which are supposed to be—and which are in fact—organizations in which the policyholders themselves are the owners of the company.

Dr. DAVENPORT. That is right.

The CHAIRMAN. In other words, much more than 50 percent of the adult population of the United States are participating in companies which they themselves, in law, own and through which they endeavor to provide security for their families.

Dr. DAVENPORT. That is correct, Mr. Chairman.

The CHAIRMAN. And the mutual companies have gradually been taking over a larger and larger proportion of the life insurance work as compared with the stock companies.

Dr. DAVENPORT. The extent of mutualization proceeded rather rapidly after the Hughes investigation.

Senator KING. We don't have any Hydes running them now. Remember that episode?

Mr. DOUGLAS. Mr. Chairman, in the interest of fairness and accuracy, I should like to clarify one comment that I made in my opening remarks. I stated that the Armstrong Committee had recommended that the insurance companies should not be permitted to grow beyond a half billion dollars in size.¹ The Armstrong Committee did not put it that way. The Armstrong Committee said, on page 392 of its report:

The business of the Mutual, the Equitable and the New York Life has grown beyond reasonable limits. * * * The growth of the three companies has long been a matter of grave concern to students of insurance conditions. No useful purpose will be served by their becoming larger.

And the specific recommendation that the committee came to on page 394 was that the desired result can be obtained by limiting the amount of the new business which each company may take to \$150,000,000 a year.

I think that, in the interest of accuracy and fairness, that should be in the record, and I would suggest that there be included in the record this short summary of the Armstrong committee, pages 392 to 396, at this point.

The CHAIRMAN. Isn't it also a fact, Mr. Douglas, that the law of the State of New York was later changed permitting a size greater than that which was fixed in the first law?

Mr. DOUGLAS. That is all very true, Mr. Chairman. This is just of historical interest.

The CHAIRMAN. In other words, there was no desire to give the inference that these companies have grown beyond the size fixed by law.

Mr. DOUGLAS. That is correct. No inference such as that was intended.

The CHAIRMAN. The statement may be admitted to the record.

(The summary referred to was marked "Exhibit No. 223" and is included in the appendix on p. 1515.)

The CHAIRMAN. Do any members of the committee desire to ask Dr. Davenport any questions? I think we will probably have to take a recess now.

(The witness was excused.)

The CHAIRMAN. The committee will stand in recess until 2:30 this afternoon.

(Whereupon, at 12:20 noon, a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee resumed at 2:40 p. m., on the expiration of the recess.

The CHAIRMAN. The committee will come to order. Mr. Gesell, are you ready to proceed?

Mr. GESELL. I am. The next witness is Mr. Ernest Howe.

The CHAIRMAN. Mr. Howe, do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOWE. I do.

¹ Supra, p. 1163.

TESTIMONY OF ERNEST HOWE, CHIEF FINANCIAL ADVISER TO
THE INSURANCE SECTION, SECURITIES AND EXCHANGE COM-
MISSION

ASSETS AND INVESTMENTS

Mr. GESELL. Mr. Howe, you are Chief Financial Adviser to the Insurance Section of the Securities and Exchange Commission?

Mr. HOWE. I am.

Mr. GESELL. You were formerly with the Federal Housing Administration as special representative?

Mr. HOWE. That is correct.

Mr. GESELL. You are a graduate of Columbia University in 1923?

Mr. HOWE. Yes.

Mr. GESELL. You have been with various investment companies, including Blyth & Co. and Lehman Bros.?

Mr. HOWE. I have.

Mr. GESELL. Have you prepared figures and charts giving information concerning the amount and character of legal reserve life insurance company assets, investments, income, yield, capital loss, and valuation?

Mr. HOWE. I have.

Mr. GESELL. What is the first matter that you wish to bring to the attention of the committee?

Mr. HOWE. A brief outline of the material which I had thought might be the subject of consideration this afternoon is first the composition of the assets of legal reserve life insurance companies, then some discussion of supply and demand for investments of this type; finally earnings, gain and loss, and methods of valuation of life insurance assets.

As a point of departure I have taken from the Spectator Insurance Year Book, to which reference was made this morning—

The CHAIRMAN (interposing). That is a standard work?

Mr. HOWE. That is a standard work which is taken from the annual reports which insurance companies furnish to various state commissioners of insurance, and compiled by an organization of long standing and having, I believe, general acceptance in the business.

So that to understand this problem, it seemed reasonable to start with the combined balance sheet of the 308 companies whose figures are reported by Spectator, and to compare the figures in this balance sheet as of December 31, 1937, with the balance sheet of the companies whose figures are reported for the year ended December 31, 1906, immediately following the famous Armstrong investigation in New York.¹

As Dr. Davenport said this morning, the total assets of legal-reserve life-insurance companies in the United States aggregated on December 31, 1937, \$26,249,000,000. In 1906, the assets of companies which then composed the legal reserve life insurance business amounted to \$2,924,000,000. That is an increase of almost 800 percent.

In comparing the two sets of figures, that is, those for 1937 and those for 1906, the growth has been so great that unless we reduce our consideration to percentages of total assets owned, it is difficult to

¹ See "Exhibit No. 224", appendix, p. 1517.

tell the change in the relative importance of the various items which make up the balance sheet. So that in terms of percentage, we find that in 1937 cash amounted to 2.77 percent of total assets. This stood at 2.38 percent in 1906.

The CHAIRMAN. Just give those figures again.

Mr. HOWE. Cash held by these 308 legal reserve life insurance companies amounted to 2.77 percent of total assets in 1937.

Mr. GESELL. And that was how much in actual cash?

Mr. HOWE. That was \$725,000,000, whereas in 1906 cash constituted 2.38 percent of total assets and amounted to \$69,000,000.

The CHAIRMAN. That means a 0.39 percent difference?

Mr. HOWE. That is correct, sir.

The CHAIRMAN. Can you give us the valuation of that 0.39 in dollars?

Mr. HOWE. Of course the total increase has amounted to in excess of \$600,000,000.

The CHAIRMAN. One-tenth of one percent means a good deal more in 1937 than it did in 1906.

Mr. HOWE. Yes, sir, very much more.

Mr. GESELL. It is the difference, is it not, between \$725,000,000 approximately and \$69,000,000?

Mr. HOWE. That is correct, Mr. Gesell.

The CHAIRMAN. That would be the actual statistical measure of 0.39.

Mr. HOWE. Yes, in relation to the assets at the end of 1937.

The next item which appears on the balance sheet is bonds. At the end of 1937 these insurance companies are shown to hold \$13,182,000,000 of bonds; in 1906 this was \$1,200,000,000. Stocks in 1937 were held to the extent of \$512,000,000 whereas in 1906 they amounted to \$159,000,000. Mortgages were \$5,000,000,000 as compared with \$926,000,000 in 1906.

The CHAIRMAN. Five what?

Mr. HOWE. \$5,229,000,000.

The CHAIRMAN. As compared with?

Mr. HOWE. With \$926,000,000 in 1906.

The CHAIRMAN. Have you any figures on the comparative distribution of these mortgages as between 1906 and 1937 geographically?

Mr. HOWE. You mean the geographical distribution, Senator?

The CHAIRMAN. Yes, sir.

Mr. HOWE. We do not have here the complete figures on the geographic distribution of those mortgages. In the convention blanks, as they are referred to—that is, the statements which the companies give to the various insurance commissioners—those figures are broken down by companies, but as yet we have not compiled those on a national basis with respect to real estate, or rather to mortgages alone.

The amount of real estate owned in 1937 amounted to \$2,190,000,000; in 1906 this figure was \$170,000,000. Policy loans and premium notes at the end of 1937 amounted to \$3,399,000,000 as compared with \$265,000,000 in 1906.

The CHAIRMAN. Have you any computation of the amount of policy loans and premium notes as of 1929? There might be a reason for using that figure because of the depression.

Mr. HOWE. In a moment, Senator, we will show much more complete data with respect to 49 companies, and I can tell you the amounts of these various classes of assets which they owned at any particular time between 1906 and 1937.

The CHAIRMAN. I beg your pardon.

Mr. HOWE. The remaining item on the asset side of the balance sheet is classified as "All Other Assets" and in 1937 amounted to approximately \$1,000,000,000, as compared with \$133,000,000 at the end of 1906. "All Other Assets" include collateral loans, interest accrued on bonds and mortgages, due and deferred premiums, and so forth.

The CHAIRMAN. Have you made any computation to compare the percentage, let us say, of bonds held by insurance companies in 1906 to the total number of bonds of a similar character outstanding as compared with the same figures for 1937?

Mr. HOWE. We have not been able to determine with any degree of accuracy the amount of all the various types of securities which were outstanding in 1906. However, I have prepared and will present in a moment the percentage of the various classes of securities outstanding which are now held by the 49 companies with respect to which we have somewhat more detailed information.

Now on the liabilities side of the balance sheet, the largest item of course is reserves. Life insurance reserves at the end of 1937 aggregated \$21,100,000,000; other policy reserves amounted to \$2,480,000,000; liability for policy claims, \$126,000,000; dividend liability, \$425,000,000; and all other liabilities, \$571,000,000. That left a surplus of \$1,542,543,000.

Now surplus, it should probably be emphasized at this point, is not the same type of figure which one ordinarily finds in a railroad, public utility, or other balance sheet. In this case, surplus includes capital, that is capital of stock companies, and it includes with respect to mutual companies other special earmarked categories, contingency funds, special voluntary reserves, other reserves not required by law, which the companies have set up, and the remaining figure of surplus as we ordinarily understand it.

Mr. GESELL. To go back a moment over what you have just covered, is it correct to say that during the period from 1906 to 1937, cash, bonds, real estate, policy loans, all increased?

Mr. HOWE. That is correct.

Mr. GESELL. Have you figures prepared on the basis of the 49 largest companies which will give us more detail with respect to these and the other items it would cover?

Mr. HOWE. Yes, I have; and possibly it would be useful in connection with emphasizing the items which have relatively increased, also to mention the items which have relatively declined in importance since 1906. Cash, bonds, real estate, and policy loans have increased relatively in the total composition of the assets, whereas stocks, mortgages, and other assets have declined. On the liabilities side of the balance sheet, whereas surplus stood at 12.56 percent of total assets in 1906, in 1937 it aggregated but 5.88 percent of total assets.

The CHAIRMAN. What is that last figure?

Mr. HOWE. 5.88 percent of total assets in 1937.

The CHAIRMAN. As against 12 point what?

Mr. HOWE. 12.56 in 1906.

The Association of Life Insurance Presidents supplies each year in the form of an address figures with respect to the growth of investments of 49 large legal reserve life insurance companies.

Senator KING. Do they speak for the others?

Mr. HOWE. I am sure I am not qualified to say whether they speak for the others, but they certainly represent a large proportion of the assets, because these 49 companies in 1906 had 98 percent of the assets of all insurance companies, whereas in 1938 they had about 92 percent of all of the assets of the legal reserve life insurance companies.

The CHAIRMAN. So that when you are dealing with these 49, to all intents and purposes you are dealing with all of them.

Mr. HOWE. From the point of view of assets, you are dealing with the overwhelming preponderance of the assets in the business.

Mr. GESELL. Now before discussing these 49 companies in greater detail, I would like to introduce into the record the figures which Mr. Howe has just reviewed, set up in balance-sheet form.

The CHAIRMAN. These are the figures to which he has just testified?

Mr. GESELL. That is correct, yes.

The CHAIRMAN. Without objection this table may be admitted as an exhibit.

(The table referred to was marked "Exhibit No. 224" and is included in the appendix on p. 1517.)

Dr. LUBIN. Mr. Chairman, before we proceed may I ask the witness about this \$21,000,000,000 reserve. That is the legal reserve against policies?

Mr. HOWE. That is correct. That is the life-insurance reserve. There are other reserves which aggregate \$2,480,000,000.

Dr. LUBIN. In view of what Dr. Davenport said this morning, namely that over a period, in fact throughout the whole history of these insurance companies, their total income, that is income from premiums plus other income, has always been sufficient to meet their needs, is it fair to conclude that this reserve which has been gradually increasing and now aggregates \$21,000,000,000 has never been touched?

Mr. HOWE. Yes; I say that is a very difficult question to answer, when you say it has never been touched. It is used continually, and with respect to certain policies, and other funds are paid in. It certainly, in my opinion, is unfair—

Dr. LUBIN (interposing). Let me put it this way: In order to meet the liabilities of the companies as they occur, this \$21,000,000,000 theoretically could have been nonexistent and the insurance companies could still have met their liabilities.

Mr. HOWE. Well, with respect to the period under review, that is, historically in this period when life insurance has grown at such a rapid rate, that has been the condition. I do not think that it is fair to assume that the reserves are not a necessary part of the institution.

Mr. GESELL. It also takes the business as a whole, and not any individual company, does it not?

Mr. HOWE. Yes.

Senator KING. And if they had had no reserves the companies wouldn't have prospered, and the policyholders would have diminished instead of increasing in number. They would have had apprehension as to the solvency of the insurance companies.

Mr. HOWE. Senator, I think that is quite clearly indicated in view of the experience of many years ago with insurance companies which

operated without reserves. It was found that as the policyholders increased in age the premiums increased, the thing didn't work quite as well as was anticipated, and that is why the development has taken its present form. I think that reserves are an essential part of the business.

Senator KING. A prospective purchaser of a policy wants to know that the insurance company from which he obtains the policy is not a fly-by-night, but is there as a sort of Rock of Gibraltar to protect him and his children and his grandchildren and his estate.

Mr. GESELL. I imagine Mr. Howe can only speak for himself as a policyholder, and not for all policyholders.

Senator KING. I think a person who has any sense wants to invest in an organization that has reserves and stability, rather than one that is unstable and lacks reserves.

Mr. HOWE. Another point which is of great interest to each individual policyholder is his own reserve, because of the fact that the amount of money which he may obtain by surrendering his policy bears a definite relationship to the reserve upon that policy.

The CHAIRMAN. As I look at these figures, Mr. Howe, it would appear that the reserves in 1906 were \$2,473,000,000 as compared with total assets of \$2,924,000,000, whereas in 1937 the reserves are \$21,100,000,000 as compared with total assets of \$26,249,000,000.¹

I would judge that the reserves in 1906 were a larger percentage of the total assets than they were in 1937.

Mr. HOWE. In 1906, Senator, the life insurance reserves aggregated 84.57 percent of the total assets, whereas in 1937 they aggregated 80.38 percent of the total assets.

The CHAIRMAN. Eighty-four point what?

Mr. HOWE. Fifty-seven.

The CHAIRMAN. As compared with?

Mr. HOWE. Eighty point thirty-eight.

The CHAIRMAN. So that there has been a decrease of a little bit more than 4 percent?

Mr. HOWE. That is correct.

Mr. GESELL. You were about to turn to your charts, I believe.

Mr. HOWE. The charts, as has been stated, are based upon information with respect to 49 companies which have been continuously in existence from 1906 to 1938.²

The CHAIRMAN. And it may still be said that the figures with respect to these 49 companies represent the aggregate picture?

Mr. HOWE. We believe that they certainly represent the overwhelming preponderance of these assets. It perhaps may not be true that they are typical of every company in the business, but they are certainly indicative of the condition.

The CHAIRMAN. But if all the companies which were operating were added to this picture it would not be materially changed, because they don't have assets enough to change them.

Mr. HOWE. Probably you couldn't see them on the chart, with the exception of the fact that in this chart this total goes to \$25,454,000,000, whereas otherwise it would go to \$26,000,000,000.

The CHAIRMAN. So that the mere fact that you are now dealing with the returns of 49 companies, whereas there are more than 300 com-

¹ See "Exhibit No. 224", appendix, p. 1517.

² "Exhibits Nos. 225 and 226", *infra*, pp. 1212 and 1214.

panies doing business, does not in any degree affect the story which is told by these charts?

Mr. HOWE. That is my opinion, Senator.

It may be interesting, before getting down to the detail of the charts, to indicate as well as can be told from the inaccurate figures with respect to aggregates of all securities outstanding, the amount of various obligations which are held by these 49 leading insurance companies. As of December 31, 1938, about 11 percent of all debt, direct and guaranteed, of the United States Government, was owned by these 49 companies.

Of all the State, county, municipal, and political subdivisional bonds, excluding bonds held in municipal and State sinking funds, these companies held about 9.93 percent of the total amount outstanding.

With respect to the net railway debt, these companies held 22.95 percent of all railway bonds.

Senator KING. Any stocks?

Mr. HOWE. They held a small amount of stocks, Senator.

Senator KING. Those are losses, aren't they?

Mr. HOWE. No, no; the stocks which are owned by life insurance companies—

Senator KING (interposing). I am speaking only of railroad stocks.

Mr. HOWE. No; they are not universally losses by any means.

The CHAIRMAN. Union Pacific, for example, would not be characterized as a loss.

Mr. HOWE. That is correct, and most of these stocks are preferred and guaranteed stocks and some of them underlying preferred where they are amply secured.

With respect to public utilities, the companies owned about 22 percent of the total public utility debt outstanding.

The CHAIRMAN. Slightly less than the percentage of railroads?

Mr. HOWE. Slightly less than the percentage of railroads.

Senator KING. One percent.

Mr. HOWE. With respect to industrial debt, estimates of the total amount outstanding are less reliable than they are in the case of railroads and public utilities, but it is estimated that the holdings of these 49 companies amounted to about 15 percent of the total industrial debt.

The CHAIRMAN. What is the basis of that estimate, Mr. Howe?

Mr. HOWE. The estimate was obtained from the United States Department of Commerce; "Survey of Current Business," but they specifically exclude from that estimate the debt of finance companies. Insurance companies hold rather substantial amounts of obligations of companies like General Motors Acceptance and Commercial Credit.

The CHAIRMAN. You mean they are not included in this 15 percent?

Mr. HOWE. No; they are included in the industrial and miscellaneous holdings of the insurance companies, but the debt of those concerns is not included in the national total which is published by the Department of Commerce, so to that extent, whereas that figure of 14.90 percent gives a fair general picture of the situation, it is subject to some statistical objections.

The CHAIRMAN. Let me ask, to what extent, for example, do the insurance companies hold the obligations of General Motors Acceptance Corporation?

Mr. HOWE. I have no figures which would show the aggregate amounts of holdings of the debt of General Motors Acceptance. The only way that that could be obtained would be to make a special study and go through all these 49 convention blanks and add it up which we have not done.

The CHAIRMAN. Well, then, when you speak of industrial debt do you mean to include obligations which are given by individuals for the purchase of automobiles, radios——

Mr. HOWE (interposing). No, I mean corporate——

The CHAIRMAN (interposing). Electric refrigerators and anything of that sort.

Mr. HOWE. No, sir; this is purely corporate industrial debt.

Senator KING. You don't include any part of about \$55,000,000,000 of indebtedness of private individuals?

Mr. HOWE. No; this is purely corporate debt.

Senator KING. The last statement I saw was about \$55,000,000,000 of individual indebtedness.

Mr. HOWE. Oh, yes; that is a very large figure, Senator. With respect to farm mortgages, these 49 legal reserve life insurance companies held about \$800,000,000, which aggregated about 11.30 percent of the total farm mortgages outstanding.

Mr. GESELL. That is just simply mortgages; it doesn't take into account the actual farm real estate owned and operated by the companies?

Mr. HOWE. No; that is simply the mortgages. The same applies with respect to urban mortgages of which these companies held about 14½ percent.

Senator KING. That would be mortgages upon real estate, for instance, in New York City.

Mr. HOWE. Yes, sir; office buildings, apartment houses, one-family to four-family houses.

Senator KING. What is the amount?

Mr. HOWE. Fourteen and one-half percent, Senator.

Mr. DOUGLAS. What was the first percentage you gave on bonds?

Mr. HOWE. Eleven percent. The figure accurately is 10.97 percent.

Mr. GESELL. Now on these two charts,¹ am I correct in saying that the "Life Insurance Assets, 1906 to 1938" chart, which shows an upward trend, is one expression of the growth of the assets, and the other chart, similarly labeled, shows the assets in their absolute relationship?

Mr. HOWE. Yes; the first chart is in terms of dollars, \$26,000,000,000 being the top line of the chart, and it shows the absolute dollar amounts of investments as they have grown from year to year.

The second chart is in terms of percentages, showing how the relationships of the investments at any given time stood in comparison with the total assets then held.

The CHAIRMAN. In other words, on chart No. 2, as we look at the beginning of the chart over the figure 1906 we are given a picture of the percentages of approximately \$3,000,000,000.

Mr. HOWE. That is correct.

The CHAIRMAN. And under the column of 1938 we are given the percentages in terms of about \$23,000,000,000.

Mr. HOWE. \$25,450,000,000, that is correct.

¹"Exhibits Nos. 225 and 226", *infra*, pp. 1212 and 1214.

Now in order to visualize easily the composition of these assets, it should first be borne in mind that policy loans are assets of a somewhat different character than the others which are shown in the chart. Policy loans are not voluntary investments to the extent that the other assets are. They are the result of a contractual obligation which the company has inserted in its policy, so that from time to time the amount of policy loans is a reflection of the desire of policyholders to borrow money.

The CHAIRMAN. Do you have any comment to make upon the fact that the amount of policy loans according to the first chart appears to have been steadily increasing up to the year 1925? What is the picture with respect to percentages of policy loans?

Mr. HOWE. Policy loans in 1906 constituted 8.9 percent of total assets. The figure has grown from that level to 1932 when policy loans aggregated 17.9 percent of total assets.

The CHAIRMAN. Much more than double.

Mr. HOWE. Much more than double. By the end of 1938 policy loans aggregated 12.1 percent.

The CHAIRMAN. So there has been a substantial decrease.

Mr. HOWE. There has been a substantial decrease in relative terms and there has been an absolute decrease of approximately \$300,000,000.

The CHAIRMAN. Of course policy loans reflect the economic condition of the country.

Mr. HOWE. That is correct.

In understanding the assets of the companies, then, we recall the fact that policy loans aggregated about 12 percent of total assets at the end of 1938. The remainder of the assets may be divided into three approximately equal amounts: that is, cash, government bonds, and municipal bonds as one subdivision; corporate bonds, that is utilities, rails, and industrials as the second division; and real estate and mortgages as the third, and those three groups of assets each account for about one-third of the assets of the companies after deducting the policy loans.

Senator KING. Are the policy loans regarded as protected by reason of the existence of the policy as the basis of the loan?

Mr. HOWE. Policy loans, Senator, are based, I mean the amount which a policyholder may borrow; the maximum amount which a policyholder may borrow on his policy is determined by the amount of his participation in the reserve, less a surrender charge.

Mr. GESELL. In other words, a policy loan is just a loan back to the policyholder of some of the money he has paid in.

Mr. HOWE. That is correct.

Mr. GESELL. What rate of interest do they charge on policyholders' loans?

Mr. HOWE. In general the rate has been 6 percent. There are some qualifications about that which I wish to explain more in detail when I come to the question of yields on investments.

The CHAIRMAN. Are you going to put into the record a statement showing the percentage of the total assets as of 1937 of all of these various bonds?

Mr. HOWE. I had planned to do so, Senator.

Senator KING. Twelve percent, then, as I understand it, of the assets of these corporations consist of obligations secured by assignments, transfer, partial assignment of policies.

Mr. HOWE. That is right.

Having sketched the broad composition of these assets, perhaps it will be interesting to start at the top with cash and run briefly down the list of the assets to show the trends which have been in effect with respect to each individual asset over the period from 1906 to the end of 1938.

At the end of 1906, so far as these 49 companies are concerned, cash stood at 2.3 percent. Holdings of cash relatively declined from 1906 to 1930, when cash constituted only 0.7 of 1 percent of total assets.

The CHAIRMAN. As of what year?

Mr. HOWE. As of 1930, 0.7 of 1 percent at that point. Since 1930, cash holdings have increased rather rapidly, as at that time companies held only \$126,000,000 in cash, and at the end of 1938 their holdings of cash amounted to \$750,000,000, or about 3 percent of total assets.

Mr. GESELL. That is well illustrated by the top blue line on the second chart, is it not?

Mr. HOWE. It is.

Mr. GESELL. Gradually tapering off to '32 and then bulges out.

Mr. HOWE. That is right, and then bulges out.

Senator KING. That increase in cash reserves is occasioned by failure to find good loans, or people are not seeking loans?

Mr. HOWE. Do you mean people are not seeking policy loans?

Senator KING. Yes.

Mr. HOWE. Well, people are not seeking policy loans to the extent that they were in 1932, but policy loans still represent a substantial proportion of total assets, and I imagine that there is some desire for liquidity on the part of companies.

Senator KING. There is no fixed policy, so far as is ascertainable, of maintaining a static condition with respect to the entire reserves, a stationary amount of reserves in cash?

Mr. HOWE. I have never heard that there was any such policy.

Senator KING. No formula as to the amount of cash reserve with respect to the assets of the company?

Mr. HOWE. I have never heard of such.

Mr. GESELL. That would be a matter of the management policy of each company, would it not?

Mr. HOWE. I believe it would.

Mr. PATTERSON. Have you found that the cash goes up or down in proportion to the policy loans?

Mr. HOWE. Well, I don't think that that is true, no, for in 1930 when cash reached its lowest point, of course the amount of policy loans was smaller in proportion than it was in subsequent years, but the policy of accumulating cash really became more manifest after the peak of policy loans in 1932 and although policy loans have decreased, cash has increased.

Mr. PATTERSON. Well, that really then has no relation; they can sell all their real estate and cash will go up. I just wondered if in your experience and study you had found any relationship whatsoever.

Mr. HOWE. No, there seems to be no correlation, if one may use that word, between those two figures, although there probably may be some relationship in the minds of the management. That we can't see from the figures.

Mr. GESELL. Your next line is the Governments, is it not?

Mr. HOWE. The next line is United States Government bonds.

Mr. GESELL. I notice there that the Governments seem to reflect themselves for the first time on both charts at some time about 1916. Will you explain that to us as a starting point?

Mr. HOWE. Yes. In 1906 these companies held only \$2,900,000 of Government bonds, which aggregated 0.1 of 1 percent of their total assets.

Mr. GESELL. Such a small percentage that it can't reflect itself on these charts.

Mr. HOWE. That is right; it can't be graphically shown. By 1930 they owned \$303,000,000 of Government bonds, which accounted for 1.8 percent of their assets. Since that time there has been a relatively rapid increase in Government holdings, as is shown by both charts, until at the end of 1938 Government obligations to the extent of \$4,551,000,000 were held. This constituted at that time 17.9 percent.

Mr. DOUGLAS. Are you including municipals in that?

Mr. HOWE. No. This is only the direct and guaranteed debt of the United States Government.

Mr. GESELL. Your municipals show in the next line entitled "Political Subdivisions."

Mr. HOWE. That is right.

The CHAIRMAN. So that these 49 insurance companies according to these charts at this moment hold more than one-tenth of the entire United States Government debt.

Mr. HOWE. Both direct and guaranteed, yes; sir.

Senator KING. If you consider inflation as the result of further appropriations, the Government bonds with respect to property might not possess the same value.

Mr. HOWE. That is—

Mr. GESELL (interposing). Mr. Howe is not an expert on inflation. Senator KING. Are you?

Mr. GESELL. No, sir.

Senator KING. You know the experts know more and more about less and less.

The CHAIRMAN. Proceed, Mr. Howe.

Mr. HOWE. With respect to the debt of political subdivisions, the companies held \$103,000,000 in 1906, which accounted for 3.6 percent of their assets, and this amount has in absolute terms increased rather steadily throughout the years. In 1927 it reached a low point in terms of percentages of 2.7 percent, from which point there was a relatively rapid increase until about the end of 1935, when 5.5 of total assets was represented by these State, county, and municipal bonds. At the end of 1938—

Senator KING (interposing). That includes school districts, I suppose.

Mr. HOWE. School districts, water districts.

Senator KING. Sewers and so forth.

Mr. HOWE. All types of bonds, including some revenue bonds. The amount of these obligations held at the end of 1938 was \$1,475,000,000 and constituted 5.8 percent of total assets.

It will be noticed that the red line on both charts is designated "Foreign governments." This is made up almost entirely of obligations of the Dominion of Canada.

Senator KING. Any South American bonds?

Mr. HOWE. Very, very few if any. I know of no cases where insurance companies carry those among their assets.

Senator KING. No Bolivian or Peruvian bonds, are there?

Mr. HOWE. No; and Russian bonds have all been charged off since 1906, too.

Senator KING. Charged to profit and loss?

Mr. HOWE. Well, surplus.

In 1906 railroad bonds and stocks (and by that of course I mean primarily bonds) constituted the largest single investment of life insurance companies, aggregating 34.8 percent of total assets.

The CHAIRMAN. What year was that?

Mr. HOWE. 1906. The rails amounted to 34.8 percent of total investments, whereas holdings of railroad bonds from 1906 to 1938 have increased from approximately \$1,000,000,000 in 1906 to over \$3,000,000,000 in 1938. The relative importance of these securities has declined from 34.8 percent to 12.1 percent in 1938.

The CHAIRMAN. In other words, although the insurance companies now hold three times as much of the railroad securities as they did in 1906, they constitute less than one-half of the same proportion.

Mr. HOWE. Proportion?

The CHAIRMAN. Of the total insurance company assets.

Mr. HOWE. That is right.

Senator KING. I am not quite clear. In dollars and cents, then, there has been a decrease in the amount of rail bonds?

Mr. HOWE. No; an increase.

The CHAIRMAN. In other words, \$1,000,000,000 of railroad bonds in 1906 constituted 34.8 percent of the total amount of insurance company assets, but \$3,000,000,000 of railroad bonds in 1938 constitutes only 12.1 percent.

Mr. HOWE. That is correct, Senator.

With respect to public utility bonds and stocks, we find that in 1906 these constituted 4.7 percent of the total assets of the companies. Although the absolute amounts of these bonds increased some, up to 1921, we find that in 1921, when the companies held \$223,000,000 worth of public utility bonds and stocks, they constituted only 3 percent of total assets. From this point on public utility bonds and stocks have been somewhat favorite investments of life insurance companies, as shown by the fact that, whereas they constituted 3 percent of total assets in 1921, they constituted 12.8 percent of total assets in 1938, and in 1938, for the first time, public utility bonds were held in absolute amounts larger than rails; that is, public utility bonds were held to the extent of \$3,254,000,000 in 1938, as compared with holdings of rails aggregating \$3,082,000,000, roughly the same amount.

Other bonds and stocks—that is, industrials and miscellaneous bonds—constituted 1.4 percent of total assets in 1921 as compared with 3.7 in 1906. Since 1921 the holdings of these industrial securities have increased rather rapidly, and at the end of 1938 insurance-company holdings aggregated \$1,453,000,000, or 5.7 percent of total bonds and stocks owned.

Senator KING. You are speaking of "other corporations" now?

Mr. HOWE. "Other corporations." That is the dark green line in both case, and the aggregate amount of holdings of obligations of other corporations is about half of the holdings of either utilities or rails.

The CHAIRMAN. What is the total of rails and utilities as of 1938?

Mr. HOWE. The total holdings of rails and utilities as of 1938 is in excess of \$6,300,000.

The CHAIRMAN. And what is the total of "other corporations" as of 1938?

Mr. HOWE. \$1,453,000,000.

The CHAIRMAN. And that \$1,453,000,000 represents a larger percentage of the total assets of the companies now than it ever has before?

Mr. HOWE. That is true.

The CHAIRMAN. In other words, the recourse which corporations engaged in interstate commerce have had to insurance companies for capital investment has been steadily increasing since 1906.

Mr. HOWE. That is correct, and particularly emphasized in the field of utilities, where the growth has been great, and in the field of industrials, that is, other corporations, where the growth has been relatively great.

The next section on the chart refers to farm mortgages.

Senator KING. Before you leave the other part, is not the conclusion warranted that the insurance companies have furnished a reservoir to which railroads, public utilities and corporations have resorted for capital?

Mr. HOWE. A very important source of long-term capital, Senator.

The CHAIRMAN. Of increasing importance as the years have passed?

Mr. HOWE. Of greatly increasing importance, as we shall emphasize a little later.

Senator KING. All of which argues for the importance of wise management of these insurance companies, for the purpose of having this reservoir available and for the purpose of maintaining the stability of corporations with which they have financial dealings.

Mr. HOWE. It is our belief that this is a very important factor in our economy, sir.

Senator KING. I think that belief is justified.

Mr. HOWE. With respect to farm mortgages, the insurance companies held \$268,000,000 in 1906. This accounted for 9.3 percent of their total assets. There was a very rapid increase in the amount of farm mortgages held by insurance companies between 1906 and 1924. In 1924 these companies held \$1,814,000,000 of farm mortgages which at that time represented 18.7 percent of their total assets.

Senator KING. Eighteen?

Mr. HOWE. 18.7 percent of their total assets. Since 1924 the relative amount of farm mortgages held has declined.

Mr. GESELL. I noticed in connection with the decline, particularly after 1931, there seems to be, skipping down to the dark orange line of real estate, a great increase in that line. Is the diminishing of the farm mortgage line and the increase of the real estate line connected in any way?

Mr. HOWE. Of course, whenever a mortgage—and this applies to both city mortgages and farm mortgages—is foreclosed, an asset is transferred from the form of a mortgage into the form of real estate, so that there is a flow from the mortgage account into the real estate account and also back-again as the real estate is sold, particularly if it is sold with a purchase money mortgage attached the real estate passes out as an asset and is represented in part by the purchase money mortgage which is sold.

The CHAIRMAN. So that the broadening of the real estate layer after 1932 is more likely to represent foreclosure of city mortgages and farm mortgages than it is to represent new investment in real estate?

Mr. HOWE. Yes; very much more likely to represent foreclosures than new investments.

Mr. GESELL. And since your city mortgage line appears not to have diminished nearly as much as the farm mortgage line, would it be a safe thing to say that much of the increase in the real-estate account has resulted from the foreclosure of farm land which was held under mortgages?

Mr. HOWE. Well, that conclusion might seem to be justified in view of the fact that the holdings of city mortgages are more than five times as great as the holdings of farm mortgages. I think it will be found, when we have an opportunity to analyze this, that the largest percentage of this real estate is represented by urban property.

The CHAIRMAN. As a matter of fact, there has been a considerable decrease in the percentage of city mortgages, has there not?

Mr. HOWE. Yes; I show from these figures.

Mr. DOUGLAS. In 1938 what was the percentage of farm mortgages to total assets?

Mr. HOWE. In 1938, 3.1 percent; in absolute dollars \$800,000,000.

With respect to city mortgages, these constituted 19.2 percent of total assets in 1906 and were represented by the sum of \$551,000,000; by 1929 the companies held \$4,816,000,000 of city mortgages which represented 30 percent of their total assets.

Senator KING. That was what year?

Mr. HOWE. Since 1929 there has been a steady relative decline in holdings of city mortgages, so that at the end of 1938 holdings of \$4,142,000,000 constituted 16.3 percent of total assets.

The CHAIRMAN. What was the figure for 1929 in dollars?

Mr. HOWE. \$4,816,000,000.

The CHAIRMAN. So there has been a reduction of almost \$700,000,000 in the total investment in city mortgages?

Mr. HOWE. Since 1929; yes. Real estate held accounted for 5.4 percent of total assets in 1906. From that point on there was a relative decline in real estate holdings until the years 1924, 1925, and 1926, for each of which 3 years 1.8 percent of the total assets of legal reserve life insurance companies was represented by real estate holdings. From that time on there has been a steady increase in holdings of real estate, both in terms of absolute dollars and in terms of relative amounts.

Senator KING. Both farm and city?

Mr. HOWE. Yes; both farm and city real estate.

The CHAIRMAN. The chief expansion has been in city mortgages.

Mr. HOWE. That is my belief because of the larger amounts of city mortgages.

The CHAIRMAN. That is the way it seems to be represented on your chart. As a matter of fact, I would say from the chart that it correctly reflects the census figures which show the drift from the farm to the city. The city is proportionally more important from the point of view of population today than it was 30 years ago.

Mr. HOWE. Yes.

The CHAIRMAN. And likewise there appears to have been a similar large increase in the investment of insurance companies in city mortgages.

Mr. HOWE. That is correct. The real estate account reached a relative peak of 8.3 percent in 1936, but at the end of 1938, with holdings of \$1,982,000,000 in real estate, the companies held the largest aggregate amount of real estate at any time in their history, at which point this holding constituted 7.8 percent of their total assets.

Senator KING. State that figure again. It doesn't quite harmonize with some figures I have before me.

Mr. HOWE. \$1,982,000,000.

Senator KING. The figure I have is \$1,964,000,000.

Mr. HOWE. The figures of \$1,964,000,000, Senator King, are for October 30, 1938, whereas the other figure is the estimated one for December 31.

With respect to policy loans and premium notes, as we mentioned before, the amount outstanding at the end of 1906 was \$254,000,000, constituting 9.8 percent of total assets. The importance of policy loans and premium notes increased from that point until 1932 when, at a figure of \$3,419,000,000, premium notes and policy loans constituted 17.9 percent of total assets.

Senator KING. Will you state that figure again?

Mr. HOWE. 17.9. At the end of 1938 policy loans outstanding to the extent of \$3,089,000,000 aggregated 12.1 percent of the total assets. The line for other admitted assets indicates collateral loans, accrued interest on bonds and mortgages, due and deferred premiums, and so forth. This item accounted for 1.4 percent of total assets at the end of 1938.

Mr. GESELL. Does that conclude your comments on these charts?

Mr. HOWE. That concludes my comments on these charts with one exception, Mr. Gesell, and that is I wish again to point to the very large growth of these assets, and I wish to emphasize that, as was pointed out this morning, the growth of these assets has been very much larger than the growth of the population of the United States.

So that the assets of these companies have constituted a largely increasing importance during the years, and it is easy to understand that with a rate of growth of this kind, a time may come when the supply of investments of a caliber suitable for life insurance companies may become somewhat restricted in relation to the amount of funds which the companies have for investment.

Senator KING. That depends on whether there should be expansion of business, does it not, upon technological development and the genius and "go-aheaditiveness" if I may express myself that way, of the American people?

Mr. HOWE. The next chart shows—

Mr. GESELL (interposing). May I introduce these first. I believe the next chart will assist in answering Senator King's question.

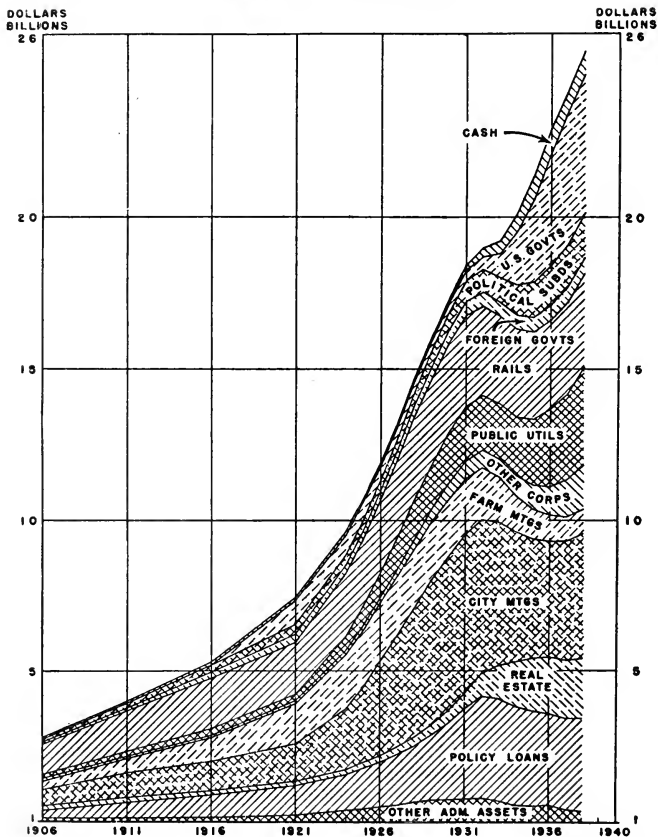
I should like to offer for the record a copy of both of the charts which have been considered, together with the supporting data for those charts, the first chart showing the growth and the supporting schedule to be marked as "Exhibit No. 225."

The CHAIRMAN. The exhibit may be received.

(The chart referred to was marked "Exhibit No. 225" and appears on p. 1212. The statistical data on which this chart is based are included in the appendix on p. 1518.)

EXHIBIT No. 225

LIFE INSURANCE ASSETS 1906 - 1938



Mr. GESELL. And the second chart to be marked, with the supporting data as "Exhibit No. 226."

(The chart referred to was marked "Exhibit No. 226" and appears on p. 1214. The statistical data on which this chart is based are included in the appendix on p. 1519.)

Mr. GESELL. Now Senator King was asking you about this supply and demand question, Mr. Howe.

Mr. HOWE. This chart gives some indication of the supply and demand for corporate bonds and notes.¹

Mr. GESELL. Where do the figures come from upon which that chart is based?

Mr. HOWE. The figures upon which that chart is based come, with respect to total new issues, from the Commercial and Financial Chronicle, and with respect to the acquisitions by the 10 largest life insurance companies the data was compiled from annual reports of the companies to the various insurance commissioners.

Mr. GESELL. This chart simply shows the relation between the total new issues and the purchases by the 10 largest companies, and does not show the purchases of the entire 308 companies.

Mr. HOWE. That is correct. This represents only the purchases of the 10 largest companies.

The CHAIRMAN. Is that characteristic, do you think, of the entire group?

Mr. HOWE. I think it is characteristic of the entire group; yes.

Senator KING. It is a good sample, anyway.

Mr. HOWE. Yes; it is a very good sample. It represents about 70 percent of the assets of the business.

The CHAIRMAN. I was about to ask with respect to the charts which have been taken down whether you had made any study to determine what percentage of the total investment field the insurance company assets represented in 1906, and in 1938, respectively.

Mr. HOWE. With respect to 1906 I do not have the figures, Senator. They have been quite difficult to obtain and the statistical sources for that period are not as satisfactory as they ought to be.

The CHAIRMAN. They were rather inadequate at that period?

Mr. HOWE. They were.

The CHAIRMAN. When did they become fairly adequate?

Mr. HOWE. Of course, there has been an improvement all along. I think that probably after the war would be a period in which the figures could be compiled with some degree of adequacy.

The CHAIRMAN. Would it be proper to say that prior to the war so large a percentage of industrial and commercial financing was purely local, that is to say by local banks and local capitalists, that it was impossible to keep any adequate record of them, whereas since the war financing of such enterprises has to an increasing degree been centralized in the investment market?

Mr. HOWE. That is very true, it has, and therefore the figures are more representative and less subject to qualification.

The CHAIRMAN. What we are dealing with, then, is a constantly concentrating capital market.

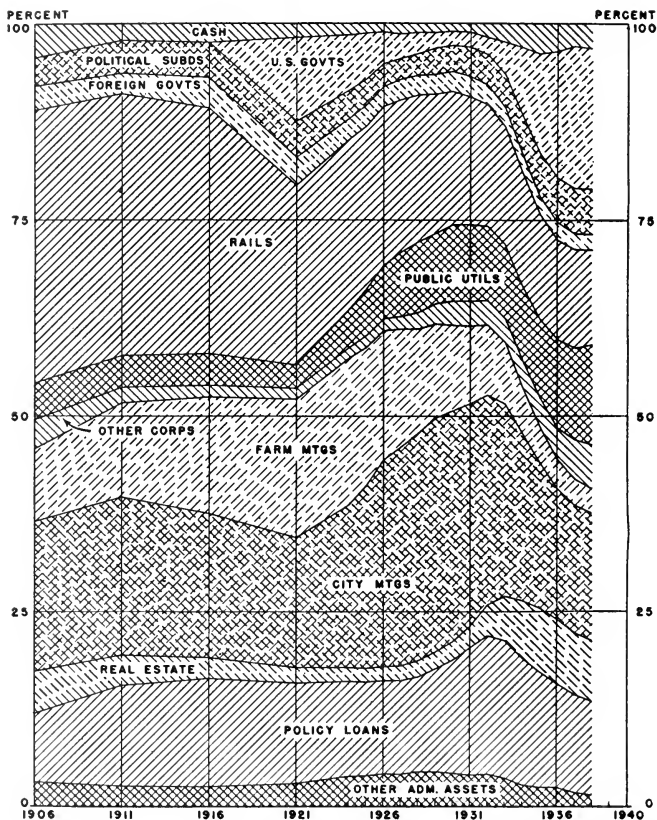
Mr. HOWE. Very definitely.

Senator KING. However, there are very many capital investments in local communities, in states, counties, and so on, and resort is not

¹ See "Exhibit No. 227", *infra*, p. 1222.

EXHIBIT No. 226

LIFE INSURANCE ASSETS 1906 - 1938



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had to insurance companies or to what might be called the general markets for capital for the investment.

Mr. HOWE. Are you speaking of requirements of individuals, Senator?

Senator KING. Both individuals and industrials, corporations, small industrial plants and small business concerns, perhaps partnerships.

Mr. HOWE. Well, partnership obligations are not purchased by life insurance companies, and the obligations of small corporations have in general not been purchased to any substantial extent by life insurance companies.

Senator KING. What I meant to say was that there are in the aggregate very large investments in business activities, what might be called activities calling for capital, where resort is not had to the big markets.

Mr. HOWE. Oh, yes; there are substantial amounts of these small investments.

Senator KING. It absorbs the local capital which is available for investment.

Mr. HOWE. That is right.

The CHAIRMAN. I rather think, Senator King, the statement that it absorbs the local capital is an expression of hope rather than fact, because the banks——

Senator KING (interposing). It is available.

The CHAIRMAN. It is available but not used.

Senator KING. What I am trying to say, and I put it in the form of a question, is that there are many investments calling for capital in local communities and states in remote parts of the United States and resort is not had to the big centers for capital for such investments and for the development of local business concerns.

Mr. HOWE. Yes; particularly small companies.

Mr. GESELL. Many of those small companies are financed through the sales of common stock, are they not, which under a great number of state laws the insurance companies themselves are not allowed to invest in?

Mr. HOWE. Yes; they are financed in various ways, by small groups and to some extent by banks and individuals.

Mr. DOUGLAS. May I ask a question, Mr. Howe, about the chart entitled "Corporate Bonds and Notes."¹ When you say total new issues, do you mean total new issues of corporations whose securities are publicly held?

Mr. HOWE. No. The columns representing the total new issues represent all new issues of corporate bonds and notes, whether placed publicly through bankers or whether privately negotiated with institutional purchasers.

The CHAIRMAN. What is the source of that figure?

Mr. HOWE. The source of this figure is the Commercial and Financial Chronicle which assembles data on all of these matters and publishes it regularly.

The CHAIRMAN. And that is substantially accurate?

Mr. HOWE. It is as accurate as any source we know, and it is generally accepted as a fair index of the situation.

The CHAIRMAN. It is accepted by all financial institutions?

Mr. HOWE. Yes; it is generally regarded as a good source.

¹ "Exhibit No. 227", *infra*, p. 1222.

Mr. DOUGLAS. That wouldn't include mortgages issued by companies to banks. You wouldn't include that?

Mr. HOWE. No; especially small mortgages. This line, which of course is large operations which would be taken notice of, is one of which there would be some public notice or public information about. I mean, if a corporation goes in and executes a short-term mortgage to secure some bank debt, it wouldn't appear. These are capital obligations, long-term.

The CHAIRMAN. When you use the word "note," what do you mean by "note" in this chart?

Mr. HOWE. With respect to that chart the word "note" simply means, in common Wall Street lingo, a relatively short-term bond or a bond which is perhaps not specifically secured by mortgage lien or collateral.

The CHAIRMAN. Then these charts refer actually to public financing?

Mr. HOWE. They refer to public financing and large financing which has been privately placed with institutions.

The CHAIRMAN. But of which public notice is taken, by financial institutions.

Mr. HOWE. That is right—not confidential bank loans which don't get into the press at all.

The CHAIRMAN. I think that is clear.

Senator KING. But would those charts represent, for instance, an obligation of a corporation engaged in mining operations, to build a smelter or to open a mine? Would that be included?

Mr. HOWE. Oh, yes.

Senator KING. In those figures which you have given?

Mr. HOWE. These total new issues are not to be construed as being of a character which life insurance companies can purchase in all respects. In this total are included obligations of corporations which might not be considered to be suitable investments for life-insurance companies, as well as those which would be suitable for that purpose.

Mr. DOUGLAS. And also items other than obligations, such as stocks?

Mr. HOWE. No; in this case this is restricted purely to bonds and notes. There is no stock included in these totals.

We see first this line, which indicates total flotations of corporate bonds and notes of \$3,431,000,000. This is sort of the last shadow of the activity of the securities markets which characterized the 1920's. But at that time these 10 largest life insurance companies purchased the significant amount of 10 percent of all new issues of every kind and type.

Senator KING. Of bonds and notes.

Mr. HOWE. In 1931, total flotations were \$2,000,000,000; in 1932, 1933, and 1934, when the effects of the depression were most keenly felt, the volume of flotations fell off to, respectively, \$620,000,000, \$227,000,000, and \$455,000,000.

Subsequent to that period the flotations, as the chart will show, increased, standing at \$2,117,000,000 in 1935, \$4,026,000,000 in 1936, \$1,676,000,000 in 1937, and \$1,980,000,000 in 1938.

Mr. GESELL. Now, what was the year in which the 10 largest companies took the greatest percentage of the total new issues reflected on that chart?

Mr. HOWE. In 1937 these 10 companies purchased 62.1 percent of all corporate bonds and notes issued.

Mr. GESELL. That is, just 10 companies?

Mr. HOWE. Ten companies purchased 62.1 percent of all corporate bonds and notes issued.

The CHAIRMAN. Suppose you give us the percentage for each of these years, Mr. Howe. Let's mark them on the chart.

Mr. GESELL. They will be on a supporting schedule which will be introduced into the record at the conclusion of the testimony on this chart.

Senator KING. May I interrupt. Looking at 1936, where the flotation was the largest on your chart—

Mr. HOWE (interposing). Yes.

Senator KING. The volume of total new issues was the largest, and as I understand, the smaller column adjoining that is the total amount of the flotation which was taken by the insurance companies.

Mr. HOWE. By the 10 largest legal reserve life insurance companies.

Senator KING. And you said that is 60 percent—

Mr. HOWE (interposing). I said that in 1937, of a total of \$1,676,-000,000 of flotations—

Senator KING (interposing). I misunderstood you. I thought you said 1936, and those columns then would need readjustment.

Mr. GESELL. In 1936 it was only 27.1 percent.

Mr. HOWE. Yes; in 1936 the total purchases were only 27 percent of the total available.

The CHAIRMAN. This probably is a little bit outside of your study, but do you know why it should appear that in 1936 there appeared to be a much larger new issue than in any other year on this chart? That shows new issues for 1936 in excess of \$4,000,000,000, whereas in 1930 new issues amounted to 3½ billion dollars.

Mr. HOWE. That is correct.

The CHAIRMAN. Do you know of any reason for that?

Mr. HOWE. No; except that that was the period, or that is the period since the depression, when the security markets were the most active.

Mr. DOUGLAS. We were in the middle of the great refunding period then.

Mr. HOWE. That was the initiation, practically, of the great refunding period.

Senator KING. Those were not new issues, they were refunding in large part?

Mr. HOWE. That is true of all of these. . There is no analysis of what the funds were used for. Large amounts of these funds were used to refund securities previously outstanding.

Mr. GESELL. Will you explain to us the jagged line that appears below the columns?

Mr. HOWE. The jagged line which appears below the columns is the line which indicates the percentage of total new issues which were acquired by these 10 largest life insurance companies, and as I say even in 1930 these companies purchased the significant percentage of 10 percent, a very decent percentage of all issues, 10 percent, but we see that by 1938 this had risen to over 55 percent of all flotations of corporate bonds and notes.

The CHAIRMAN. Would it be a proper inference to say that as a result of the depression, new enterprises had no other recourse except to go to the large insurance companies for finance, because the ordinary person and the ordinary bank were probably afraid to invest in these new issues, whereas the big insurance companies, with their large staffs and their opportunity to survey the whole field, were in better position to invest?

Mr. HOWE. Well, Senator, I think that it is not a correct assumption to think that these new issues are a reflection of new enterprise. They are, in very large extent, particularly in this period since the depression, refundings of issues previously outstanding.

The CHAIRMAN. I didn't mean to imply they were new enterprises; that is to say, in the sense of something that had never been carried on before. I was speaking of them as new in the sense that your chart speaks of them as new issues.

Mr. HOWE. Oh, I see. I think if this chart is considered in the light of the rapid growth which was shown on the other chart, it will be evident that there were no other types of institutions, especially if we remember Dr. Davenport's chart this morning,¹ there were no other types of institutions who were faced with the problem of investing increasing amounts of funds every year to the same extent that the life-insurance companies were.

The CHAIRMAN. To what extent was this increase of percentage due to the lack of desire upon the part of unorganized capital to invest, and to what extent was it due to any activity or desire or purpose upon the part of the management of insurance companies?

Mr. HOWE. I know of no statistical measures of the lack of desire, if such there be, on the part of various individuals or organizations to invest.

The CHAIRMAN. Well, in times of depression it is only natural that the individual person holds onto his cash, and doesn't dare to venture it.

Mr. HOWE. Right.

The CHAIRMAN. But a large insurance company in such a time, being under the obligation, as it were, of investing its resources, is much more likely to take issues of this kind than the individual person or the small bank.

Mr. HOWE. Well, except that we find that in the pit of the depression, in 1932, the insurance companies purchased only 13 percent of the small amount of issues which were available, whereas as prosperity returned they purchased 55 percent.

The CHAIRMAN. Yes; but the total amount of issues available was much smaller in 1932.

Mr. HOWE. Yes; but the insurance companies' purchases were very much smaller.

The CHAIRMAN. All right; let's look at 1933. What was the percentage of insurance company purchases in 1933?

Mr. HOWE. In 1933 the percentage of insurance company purchases was 31 percent.

The CHAIRMAN. And in 1934?

Mr. HOWE. 52.5 percent; 1935, 34.1; 1936, 27.1; 1937, 62.1; 1938, 55.2.

¹ "Exhibit No. 221", *supra*, p. 1189.

The CHAIRMAN. So that actually in 1934 you had about as large a percentage as at any time during the period except for 1937?

Mr. HOWE. That is correct. There was a definite falling off in 1936.

Senator KING. May I ask a question that in my opinion is germane, in view of the statement? In the surveys which you have made—you and your associates—did you get any idea as to the relative amount that was obtained for development of business, what might be called capital investment, from the sale of stocks in comparison with that obtained from the sale of bonds.

Mr. HOWE. No; we have made no studies in connection with this matter of stocks. The reason is that the holdings of stocks of life insurance companies represent a relatively insignificant proportion of their holdings, and it is as detailed and difficult a study as the others, and we felt we should concentrate on the more important element.

Senator KING. The S. E. C., for instance, would have some information, would it not, as to the stock issues made about the country?

Mr. DOUGLAS. We have that. As we get a little farther on into this subject I think in the study of investment banking, the Commission will have detailed figures to present and facts on that point.

Dr. LUBIN. May I ask one question? Would it be possible to find out what percentage of the total investment available to insurance companies is represented by this 65 percent of the total? In other words, is it theoretically possible, for example, that they couldn't have invested any more because under the restrictions of various states they were limited to certain types of securities?

Mr. HOWE. I think you will find that the principal limitations on the type of securities which the insurance companies may buy is in the discretion of the managements.

Dr. LUBIN. That would not be an evidence of the investing power of the insurance companies in the sense that there might have been an upper limit to the amount they could have purchased in 1937?

Mr. HOWE. An upper limit to the amount they could have purchased? Well, I suppose you mean that the amount they could have purchased would be the amount they did purchase plus their cash balance.

Dr. LUBIN. No; I mean in available securities. They bought 65 percent of those issues, which means that there was 35 percent which they didn't buy.

Mr. HOWE. That is right.

Dr. LUBIN. Is it possible that they couldn't have bought that 35 percent because of certain restrictions?

Mr. HOWE. Well, there are certainly some of those issues in the 35 percent which they could not have bought because of legal restrictions.

Dr. LUBIN. There is no way of knowing how much those were?

Mr. HOWE. It would be possible, I believe, to determine that in a rough sort of way, but as the restrictions are different in different States it would be impossible to allocate them as between the companies.

Dr. LUBIN. I am trying to get back to your earlier statement, you see, that theoretically there would be a limit to the types of investment the insurance companies could put their money into because there just wouldn't be enough securities available for them to buy.

Mr. HOWE. Well, that is a very important fact, the fact that there is an expanding demand for these securities. The next thing I want to emphasize is that not only is there an expanding demand but there is a narrowing field, functionally.

Mr. GESELL. Also, looking at this chart, since we are dealing only with the 10 largest companies, we would have to take into account the other amount of the total new issues which have been purchased by other life-insurance companies and hence not available to these particular 10 companies.

Mr. HOWE. That is correct. Now, this question of the narrowing of the field of investment which is available to life insurance companies: You will remember that the holdings of United States Government bonds increased materially. Now a United States Government bond is an ideal investment for an insurance company from every point of view except one, and that is yield.

Senator KING. One-half of 1 percent or one-eighth of 1 percent is not a very big yield.

Mr. HOWE. Is not a very satisfactory yield. Of course, that obtains, Senator, on the short-term obligations.

Mr. GESELL. You have finished your comments on this chart, have you not?

Mr. HOWE. I have finished my comment on that.

Mr. GESELL. The problem will be covered to some extent in your next chart.

Mr. HOWE. That is right.

The CHAIRMAN. You were about to make some further comment on the narrowing field.

Mr. HOWE. I was, Senator.

The CHAIRMAN. Would you proceed?

Mr. HOWE. So that there is a more or less definite limit on the amount of United States Government securities which these companies may own if they are to maintain their earnings at a rate which is necessary to live up to their contracts with their policyholders.

The CHAIRMAN. Your figures presented would indicate that by and large except for two periods in the last 10 years, premium income was quite sufficient to take care of all expenses.

Mr. HOWE. Well, that is true, but it must be remembered that a life insurance policy is a long-term contract, and one of the invariable characteristics of that contract is that the company agrees to invest its reserves at a certain contract rate. It accumulates its reserves at a certain contract rate, which is usually 3, 3.5, and in a few cases 4 percent, compounded annually, so that as soon as the return on investments in the aggregate gets below that rate, as will be explained in later charts, the difficulty of according equitable treatment through the medium of dividends to all policyholders becomes a little involved.

The CHAIRMAN. Well, of course it raises the question as to what interest rate a company of this kind could afford to charge without injury to the policyholder. In other words, it opens the door to consideration as to whether or not a company with tremendous assets such as these insurance companies have, might offer money at a lower rate for the stimulation of industry than is now customary. Have you considered that?

Mr. HOWE. We have considered that, but I think you will see as we get on to the next chart the rather important effect of the decline of these interest rates.

The CHAIRMAN. I didn't mean to anticipate you.

Mr. HOWE. I might say, to reiterate and pick up on the question of narrowing field of investments, that United States Government bonds can only be utilized to a certain extent because of the fact that the yield on them is less than the contract rates with their policyholders.

The CHAIRMAN. The thought that was running through my mind was simply this, that if the large holders of the capital available for investment were to charge a lesser rate for loans to new enterprises, perhaps it wouldn't be necessary for them to accept so very small a rate from the Government.

Mr. HOWE. Oh, that is of course correct. The larger percentage of their portfolio which is held in securities with higher yields, the less they need to rely upon the return from Government bonds.

Senator KING. However, they occupy the relationship of a fiduciary to a large number of people, and they are compelled under their oaths of office and under the law to make as large a fund to meet the changes in our economic system, economic disturbances, as possible.

The CHAIRMAN. Senator, you weren't here this morning, much to our loss, when Dr. Davenport presented this chart on "Income and expenditures," which shows that the receipts from premiums except for two periods since 1890, have been more than sufficient to carry all expenditures, including payments to the policyholders and all of the overhead expenses.¹

Mr. GESELL. I would like to introduce into the record at this time the chart entitled "Corporate Bonds and Notes," which was discussed a moment ago, together with the supporting schedule showing the percentage acquired by the 10 largest companies.

The CHAIRMAN. Without objection, the chart may be admitted.

(The chart referred to was marked "Exhibit No. 227" and appears on p. 1222. The statistical data on which this chart is based are included in the appendix on p. 1520.)

Mr. GESELL. You have before you, have you not, a chart entitled "Growth of Private Placements"?² Will you tell us what a private placement is and what this chart represents?

Mr. HOWE. Yes. Out of the narrowing field of investments has grown the necessity for insurance companies to obtain a large supply of investments of the highest caliber, and one of the manifestations of the last few years has been the growth of a practice which we refer to as private placements. Private placements are securities privately placed or in general those which are purchased direct from issuers without the machinery of any bankers or intermediate steps, so that a corporation comes to an insurance company and wishes to borrow money.

The CHAIRMAN. On the direct contract between the insurance company and the borrower?

Mr. HOWE. That is the ordinary form it takes. There are minor qualifications.

Mr. DOUGLAS. In contrast with a public offer?

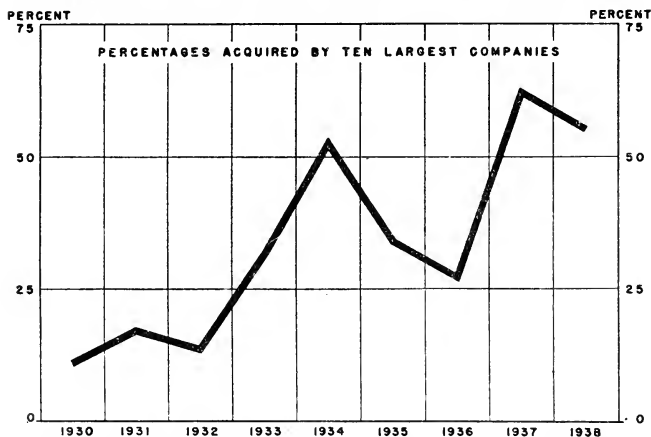
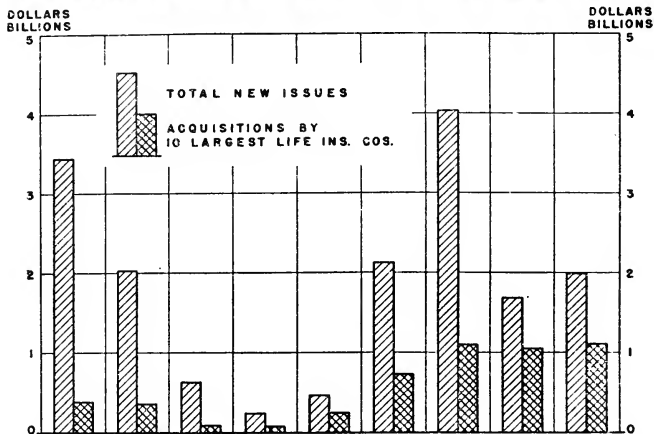
Mr. HOWE. In contrast with a public offering.

The CHAIRMAN. In other words, this eliminates the so-called underwriting by a brokerage house or a bank.

¹ See "Exhibit No. 218", supra, p. 1177.

² See "Exhibit No. 228", infra, p. 1226.

EXHIBIT No. 227

CORPORATE BONDS & NOTES

SOURCE: ANNUAL STATEMENTS & COMM. FIN. CHRON.

DS-1112 PREPARED BY SEC. & EXCH. COMM.

Mr. HOWE. That is right.

Now the chart again shows the total offerings of securities similar to the one which was shown on the previous chart, the total figures being the same as the others. This chart simply shows the amount of the total flotations which were privately placed.

The CHAIRMAN. Let me ask, does the whole column represent the offering and the deep orange part of the column [bottom section] a percentage of the total offering?

Mr. HOWE. Both columns are representative of an amount in terms of billions of dollars. The height of the column indicates the total amount of offerings.

Mr. GESELL. Perhaps I can help here. In the top section of the chart the total column represents the same figures as were contained on your previous chart, with the total new issues offered.

Mr. HOWE. That is correct.

Mr. GESELL. Those columns represent the same figures we had before us a moment ago. The difference between this and the previous chart is that the portion of the columns which is in dark orange or shaded [bottom section] represents instead of the total acquisitions of the 10 large companies, the total amount of the offerings which were privately placed with all insurance companies.

Mr. HOWE. That is correct.

Mr. GESELL. How many companies do these figures relate to?

Mr. HOWE. These figures relate to the 308 insurance companies, although actually, of course, the private placements are taken only by the larger companies, though they refer to all insurance companies. The orange [bottom, shaded section of the column in top half of chart] is the amount of securities which have been privately placed; the cross-hatching at the top is the amount which were publicly placed, and the total height of the column represents the amount of the total issues.

Mr. GESELL. Is the shaded part of the top section of the chart insurance companies' private placements, in other words, the placement of issues with insurance companies, or all private placements?

Mr. HOWE. No, this is all private placements of corporations and institutions which were placed with corporations and institutions of all kinds.

Mr. GESELL. That means where the issuer placed it with any one, the insurance company being the buyer, an individual or partnership or anything else?

Mr. HOWE. That is right.

Mr. GESELL. And the bottom of the chart shows the percentage of private placements which were given to the insurance companies?

The CHAIRMAN. So the answer to my original question is yes.

Mr. GESELL. That is correct, sir.

Mr. HOWE. The amount of corporate bonds and notes placed privately has increased from \$100,000,000 in 1934 to \$733,000,000 in 1938.

Mr. GESELL. The time is getting short. The figures with respect to these various columns will be put in the record. Have you any general comments which you want to make concerning the implications in the chart?

Mr. HOWE. I have. It would seem at first blush that this was a simple and efficient method of obtaining capital for corporations. However, there are some implications in the situation which should

be pointed out. In the first place, whereas insurance companies have freely advanced money to corporations to refund issues outstanding in the public market, there is no case on record of an insurance company having advanced money to a corporation for the purpose of refunding obligations held exclusively by another insurance company. If this coincidence should become a matter of policy, it might seriously restrict the bargaining power of borrowers when they seek money, and in this connection I wish to read a paragraph from the mortgage manual of a very large insurance company showing the policy, the settled policy if you will, of insurance companies with respect to taking mortgages away from other insurance companies, so that we may think for a moment of the implications which would be involved if that policy were extended now to private placements.

This manual is prepared by the home office and is sent to all the agents throughout the country who are negotiating mortgages for purchase of the company, so this is an official direction, an expression of policy.

The CHAIRMAN. Of what home office?

Mr. HOWE. Of the home office to the men in the field who obtain mortgages, and I say if this policy were extended to the field of private placements it might have very important national implications.

The CHAIRMAN. From what book are you reading?

Mr. HOWE. I am reading from the Mortgage Loan Branch Office Instruction Manual of the Prudential Insurance Company of America. I quote:

You must maintain friendly and ethical relationships with competitors in order to prevent overt and manifest solicitation of business already on the books of institutions similar to ours. A conscientious and premeditated raiding of each other's business would be most detrimental and must be avoided.

That is the end of the quotation.

If this policy were extended to private placements, it might have very important implications.

Mr. DOUGLAS. You are not saying that it has been?

Mr. HOWE. I am not saying it has been. I have no evidence of that fact. I simply have the evidence with respect to the mortgage requirement.

The CHAIRMAN. And yet on the other hand, if half a dozen financial giants, such as these corporations are, these mutual companies, were to initiate a policy of raiding one another, the effect upon the economic system might be very disastrous.

Mr. HOWE. Well, it would simply result in the transfer of assets, of mortgage loans or other obligations from one company to the other, the type of thing which goes on in the public market all the time.

The CHAIRMAN. Yes; but let me make this comparison. It impresses me as being worthy of consideration. If two men engage in a fight on the street corner, that is not a matter of very much public moment, but if two groups of men, each numbering 100, engage in such a fight in a city, that becomes a matter of very serious moment. So that if corporations having assets of billions of dollars were to undertake economic warfare with one another, it might have very serious results upon the entire economic system.

Mr. HOWE. Of course. On the other hand, it might have a very serious implication to a borrower if when he wanted to refund his obligation, everybody said, "No, that is owned by another insurance company and we won't touch it."

The CHAIRMAN. Then the borrower is suffering because he is not likely to get any bids for his business.

Mr. HOWE. That is right.

The CHAIRMAN. And he will have to pay what the lender, whose field is recognized by every other lender, chooses to levy against him.

Mr. HOWE. That is right.

The CHAIRMAN. That is the point you wish to make.

Mr. HOWE. Those are the dilemmas of this.

The CHAIRMAN. But there are two sides to the question.

Mr. HOWE. Oh, yes; there are definitely two sides to it.

Mr. GESELL. It might also result in great harm to the smaller companies, because the larger companies with their greater resources might be the most successful in the raid.

Mr. DOUGLAS. I might say, Mr. Chairman, at this point that the Commission will be prepared before long to present to the committee a day or two of hearings on this whole problem of private placements, with witnesses from the insurance company field, from the industrial field, and from the investment banking field, that I think may give the committee a rather broad perspective on this whole problem.

The CHAIRMAN. In connection with what Mr. Gesell just said, I started to call attention to the fact that Mr. Howe was reading from the manual of the Prudential Company, and I understood that to mean that the Prudential Company was instructing its agents with respect to the agents of similar companies, so that it was not the comparison of 100 against 1 at all, but of 100 against 100.

Mr. GESELL. I would like to put into the record at this time a copy of the chart covering the growth of private placements, together with the supporting schedules which have been prepared from the Commercial and Financial Chronicle, and from certain information on file with the Commission.

The CHAIRMAN. Without objection it will be so ordered.

(The chart referred to was marked "Exhibit No. 223" and appears on p. 1226. The statistical data on which this chart is based are included in the appendix on p. 1520.)

Mr. GESELL. Your next subject, Mr. Howe, relates to the question of yield on investments.

Mr. HOWE. That is correct.

Mr. GESELL. Might I point out the necessity of covering this part of the testimony as quickly as possible.

The CHAIRMAN. I think we have interrupted him a good deal.

Mr. HOWE. With respect to return on investments, there is no inclusive public information which shows the yields which companies have on various classes of securities, but from one large company for 1937 it might be interesting to note that their policy loans paid them 5.9 percent, farm mortgages 5 percent, city mortgages 4.9, public utilities 4.7, railroad bonds 4.5, industrial bonds 3.6, United States Government bonds, 1.95 percent, and real estate 1.3 percent.

The CHAIRMAN. What is the real estate as to the Government's?

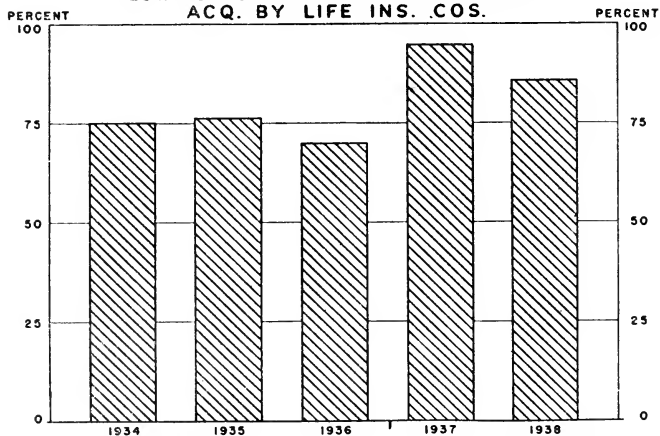
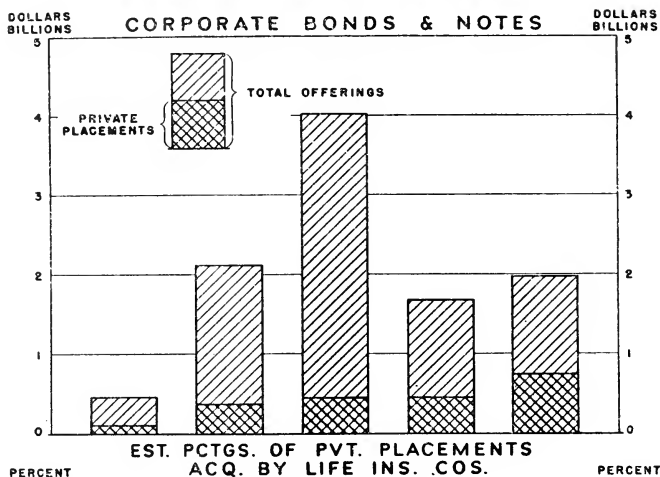
Mr. HOWE. Government's 1.95, real estate 1.3.

Mr. GESELL. How does this question of yields relate to the broader problem?

Mr. HOWE. The question of yields, without commenting on these various yields because of the shortage of time here, is reflected in a very important manner in the earnings of the companies. As was

EXHIBIT No. 228

GROWTH OF PRIVATE PLACEMENTS



stated earlier, the policy contracts require that the company earn on their reserve certain fixed rates, usually 3 or 3.5 percent, and for the number of companies which report their gain and loss exhibits in the Spectator Yearbook, this large section of the chart (Interest Required on Reserves, exhibit No. 229).

Mr. GESELL. You have before you a chart entitled "Net Investment Income and Interest Required on Reserves."

Mr. HOWE. I have.

Mr. GESELL. And you are referring to the top section of that chart.

Mr. HOWE. I am referring to the top section of the chart, yes; and the lower portion of the chart entitled "Interest Required on Reserves," is the contract amount which these companies had to earn in order to maintain their policy contracts on the basis on which they are written.

The top line is the "Net Investment Income" of these companies after deducting the direct investment expenses.

The CHAIRMAN. In other words, what the chart shows is that from 1906 to 1938, the period covered by the chart, there has always been an excess over the required interest on reserves.

Mr. HOWE. That is right, there has always been an excess over the required interest on reserves. However, the ratio of this excess to the interest required on reserves has changed from time to time.

Mr. GESELL. That is shown in the bottom of the chart.

Mr. HOWE. That is shown in the bottom section of the chart, whereas in 1906 the excess was about 30 percent, in 1938 it was 18.

The CHAIRMAN. But it would appear from the lower part of the chart then that along about 1918 when we had a depression there was a sharp decrease of this excess, which thereafter recovered during the twenties but which sharply declined after 1930.

Mr. HOWE. That is correct.

The CHAIRMAN. Thereby again indicating a depression.

Mr. HOWE. That is right, or indicating a decline in interest rates.

The CHAIRMAN. But it was coincident with the depression.

Mr. HOWE. It was coincident with the depression, but has reflected itself in subsequent years in declining income, through declining interest rates.

Mr. GESELL. I would like to introduce into the record at this time a copy of the chart entitled "Net Investment Income and Interest Required on Reserves," together with the supporting figures that have been prepared from the Spectator Insurance Year Book.

(The chart referred to was marked "Exhibit No. 229" and appears on p. 1228. The statistical data on which this chart is based are included in the appendix on p. 1521.)

Dr. LUBIN. Does this chart mean that even today the net earnings from investments are about 18 percent more than is required to maintain interest on reserves?

Mr. HOWE. That is correct, 18.26 percent higher.

The CHAIRMAN. What do you mean by investment income?

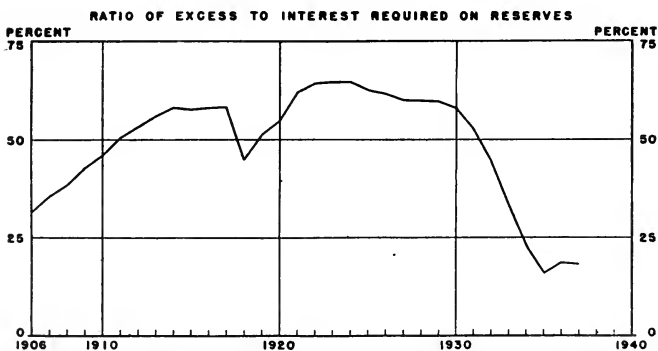
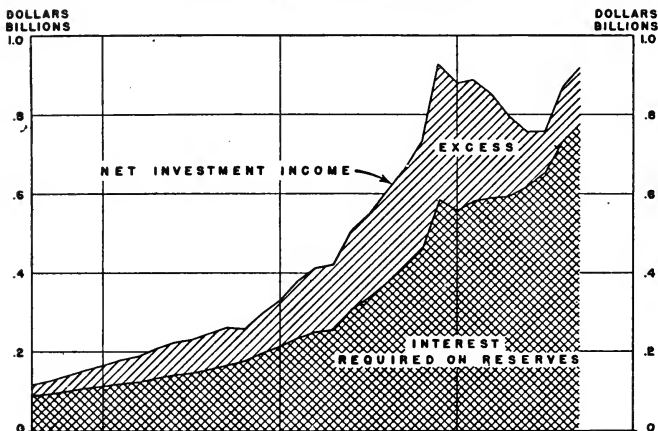
Mr. HOWE. That is income from interest on mortgages, interest on bonds, dividends on stocks, rents from real estate leases.

The CHAIRMAN. In other words, you mean the total income from investments, excluding, of course, all payments by policyholders by way of premiums.

Mr. HOWE. Oh, yes; premiums don't come into this at all.

EXHIBIT No. 229

NET INVESTMENT INCOME & INTEREST REQUIRED ON RESERVES



SOURCE: SPECTATOR YEAR BOOK

BS-1116 PREPARED BY SEC. & EXCH. COMM.

The CHAIRMAN. But the interest on policy loans is included in this figure?

Mr. HOWE. That is correct.

Mr. DOUGLAS. Less what?

Mr. HOWE. Less direct expenses, real estate taxes, and direct expenses of administering necessary investments. This is the net figure after deducting any expenses.

The CHAIRMAN. Now it would appear from that chart that the net-investment income reached its highest point at about the year 1929, and that at 1938 the income was practically the same. I can't tell from this distance what the figures are but I think it might be well to make direct comment upon that, Mr. Howe.

Mr. HOWE. Yes; the peak of the net invested income in 1929 was \$926,000,000 from which point it declined to a low in 1934 of \$756,000,000 and recovered to \$918,000,000 in the year 1937.

The CHAIRMAN. But the low of 1934 was vastly in excess of the high of 1924.

Mr. HOWE. Oh, yes; vastly in excess because of the tremendous rate of growth with which we are dealing in this picture.

The CHAIRMAN. Just give us the figure for 1924.

Mr. HOWE. \$506,000,000.

The CHAIRMAN. So that in 1924 long before the depression there was vastly smaller income than at the very depth of the depression.

Mr. HOWE. Yes; vastly smaller income.

Mr. GESELL. Figures with respect to that, Senator, are all in the record.¹

The CHAIRMAN. Yes, but I wanted to have specific attention called to them.

Dr. LUBIN. What happens to that excess? What account is it put into—surplus?

Mr. HOWE. The excess goes into the surplus—yes; but it is one of the principal sources, if I may use that word, of dividends to policyholders.

The CHAIRMAN. But it is also the source of renewed investment in new obligations which in turn produce an accumulating income.

Mr. HOWE. Yes; a part of the income is invested in reserves and as the reserves increase, the thing continues to roll, we might say.

The CHAIRMAN. Let me put it this way, going back to the chart presented this morning showing a comparison between the total income of these companies and the income from premiums,² the excess of the total income over the expenditures, which seems to have been constantly increasing, creates every year an increasingly large reservoir from which these companies are able to acquire a larger investment in the economic life of the nation so that there is a constant trend toward concentration of investment in these companies.

Mr. HOWE. Very true, sir.

The CHAIRMAN. And that goes on independently of any policy or any purpose on the part of the companies.

Mr. HOWE. That is right.

The CHAIRMAN. It is like a snowball rolling down hill.

Mr. HOWE. That is right. Now the next factor which I wish to mention is the fact that the inescapable characteristic of all invest-

¹ "Exhibit No. 229", appendix, p. 1521.

² See Exhibit No. 218, supra, p. 1177.

ments over a long term period of time is that they produce capital gains or losses. In the case of the insurance companies whose figures are shown in *Spectator*, it is interesting to note that there was a loss of \$244,000,000 in 1937, a gain of \$85,000,000 in 1936 and losses in each other year from 1935 back to 1931, showing an aggregate loss during this period on account of capital of \$674,000,000.

Mr. GESELL. These figures are obtained on the schedule which you have prepared from *The Spectator Year Book*, are they not?

Mr. HOWE. That is correct.

Mr. GESELL. I would like to offer the schedule as part of the record.

The CHAIRMAN. It may be received.

(The schedule referred to was marked "Exhibit No. 230" and is included in the appendix on p. 1521.)

Mr. HOWE. I want to point out that these figures of gain and loss on investments are not wholly what are sometimes referred to as realized gains or losses, but are reflections of the level of valuation which the companies have placed upon their assets from time to time, so that the matter of valuation of assets is an extremely important factor, because of the fact that it affects the gain or loss which the companies show on their investments from year to year, and which in turn are reflected in the surpluses of the companies.

With respect to the matter of valuation, I would like to read from *Best's Life Insurance Reports*. This is the standard manual of insurance companies, like *Moody's* or *Poor's* in the investment field. On page 17 Mr. Best states this:

By overvaluing assets, even without dishonest intent, a company may indicate a surplus position well above the average of the business.

and then he goes on:

It is unfortunately true that the statements of numerous companies, even those attested under oath by the officers, do not reflect the true condition of the companies, because of overoptimistic valuations placed upon their assets.

The CHAIRMAN. What is the year of that book?

Mr. HOWE. 1938.

The consideration of the valuation of life insurance assets may be divided roughly into three parts; (1), the valuations of corporate bonds and notes; (2), the valuation of mortgages; and (3), the valuation of real estate.

Mr. GESELL. This question of valuation relates itself primarily to the amount of surplus which a company may have and as to whether or not the surplus is as large as shown because of the valuation methods used.

Mr. HOWE. That is correct. It is a matter of surplus—relative surplus.

With respect to bonds, the rule is that bonds adequately secured may be carried at so-called amortized values. Amortized values are a species of cost; an illustration will make this clear. If a company buys a 10-year bond at 95, at the end of 1 year they will increase that on their books approximately one-half of 1 percent, so it will stand at 95½, and so forth, a half of 1 percent each year, until the 10 years elapse, at which time it will appear on the books at par, which is the amount at which it will be paid off.

If, on the other hand, the company buys a bond at 105, the amortized value will decrease approximately one-half of 1 percent per annum, so it will be at par at the end of the term of the bond, so that amortized values are a species of cost, and the rule is that bonds adequately secured may be carried at amortized values.

It is perfectly clear, of course, that in the case of the highest-grade investments, which do not fluctuate markedly in value, this is a very simple and effective rule. In the case, however, of securities which are less secure, the rule is of more doubtful applicability, because these investments fluctuate much more greatly in value.

As between companies, the policy of what is to be classified as adequately secured and therefore carried at amortized value is in most cases left largely to the companies themselves, so that there is some variation between companies as to what they classify as bonds adequately secured, and what they will classify as bonds which are not adequately secured.

In the State of New York the insurance commissioner has made a rough rule by means of which the companies can determine what bonds are classified as adequately secured and what bonds are not classified as adequately secured. The rule is that if all four security rating services classify a bond as of less than fifth grade, that is, if all four of them classify it as less than fifth grade, then it must be carried at convention values, which are values established by the National Association of Insurance Commissioners rather than the amortized value.

It is interesting to note what is a definition of a fifth-grade bond as the various services speak of it. Standard Statistics calls it "fair"; Fitch speaks of them as "of medium grade." Moody refers to the same thing here as "bonds carrying the Ba rating" (the fifth-grade rating) "generally have some elements of uncertainty. Investment characteristics are not entirely absent, but speculative elements begin to dominate."

Poor's give a little fuller definition of these fifth-grade bonds. They say, "Obligations wherein the speculative element is present, principal is fairly secure, but margin of safety over interest is usually small and the actual position of the bonds is believed dependent upon earnings rather than upon the property securing the bonds. Not suitable for trust funds. Bonds of this rating are often known as 'better grade speculative.' Bonds in this category are borderline issues falling in group 2 of the Government regulations, and therefore not considered eligible for bank investments."

Mr. GESELL. All these references propose to do, Mr. Howe, is simply to present in a very tentative way the problem of valuation which may be present in the analysis of a surplus account of any legal reserve company.

Mr. HOWE. That is right.

Mr. GESELL. And it will be a matter for further inquiry later on?

Mr. HOWE. Very careful study.

Mr. DOUGLAS. Mr. Howe, I just notice in the Best's Reports for 1938, from which you read a few minutes ago, and you read a sentence as follows:

By overvaluing these assets, even without dishonest intent, a company may indicate a surplus position well above the average of the business.

Now, I notice here another comment that you didn't read, as follows:

A company, the management of which values all of its assets conservatively, and does not take credit for items of questionable character, may, by its very honesty, place itself at an apparent disadvantage.

Would you care to comment on that?

Mr. HOWE. Well, the point that I wish to make is that there is considerable difference in the methods of valuation of these companies. Some of them may understate their assets and some others may be found to overstate them to some extent, but the figures which are presently published do not, in all cases, give an adequate criterion of value when you bring it down to the last line.

Mr. GESELL. If you were to look at two different statements of two different companies, you might find a disparity which resulted purely from different methods of valuations used by the officers of the respective companies?

Mr. HOWE. That is right.

The CHAIRMAN. But in general is it not true that these companies follow a more or less conservative policy in making their valuations?

Mr. HOWE. With respect to most of their assets.

Mr. DOUGLAS. As respects certain items in the portfolio, the staff will be prepared before long for a breakdown on various levels and various investment standards, will it not?

Mr. HOWE. That is in process of preparation, yes.

Mr. GESELL. That will be reflected through new material obtained by the Commission in its investment questionnaire, which is now in the hands of the companies.

Mr. HOWE. That is correct.

The only two remaining points on valuations respect mortgages and real estate. With respect to mortgages it is the general practice of companies to carry them at their face value, and no account is taken of the amount of interest which may be delinquent upon the mortgage, or the fact that the interest may have been reduced to the borrower, or that taxes may be in arrears, or other factors. Of course, if these securities were selling in the public market they might possibly reflect these factors, but they do not so reflect them, to the best of our ability to find out, on the statements of the companies as they exist today.

Now, with respect to real estate——

Mr. DOUGLAS (interposing). That is all pursuant to the rules and regulations laid down by the various supervising agencies?

Mr. HOWE. Entirely. It is entirely in accord with regulations. None of these matters which I am discussing is meant to imply that they do not follow the regulations laid down for them, for I believe they do.

With respect to real estate, the methods of valuation are also very different between companies. When a mortgage is foreclosed, some companies take the real estate in the assets at the face amount of the mortgage which has been extinguished through the process of foreclosure; other companies take foreclosure expenses into the asset account; others, in addition to foreclosure expenses, capitalize all or a certain portion of the unpaid interest between the date of default and the date of receipt of fee simple title; other companies capitalize rehabilitation expenses and improvements to property; whereas certain

other companies do not capitalize various ones of these items, so that——

Mr. GESELL (interposing). The net result of this, Mr. Howe, is that the question of valuation is one which will require further study, is it not?

Mr. HOWE. It will require the most careful analysis, we believe.

Mr. DOUGLAS. It is suggestive, Mr. Chairman, of a line of inquiry that the staff is presently making and which it will be prepared within a few weeks to present to the committee.

Mr. HOWE. That is correct.

Mr. GESELL. Does that conclude your testimony?

Mr. HOWE. That concludes the testimony.

Mr. GESELL. We have no further witnesses for the day.

The CHAIRMAN. Do any members of the committee desire to ask Mr. Howe any questions? I want to caution you, it is getting late.

We seem to be very discreet this afternoon, Mr. Howe.

(The witness, Mr. Howe, was excused.)

The CHAIRMAN. Mr. Gesell, do you care to announce now whom you would like to call in the morning?

Mr. GESELL. The first witness in the morning will be Mr. Frederick H. Ecker, chairman of the board of the Metropolitan Life Insurance Company.

The CHAIRMAN. If there is no further business, the committee will stand in recess until 10:30 tomorrow morning.

(Whereupon, at 4:50 p. m., a recess was taken until Tuesday, February 7, 1939, at 10:30 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

TUESDAY, FEBRUARY 7, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to adjournment on Monday, February 6, 1939, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senator O'Mahoney (chairman); Representative Reece; Messrs. Henderson, Douglas, Arnold, Patterson, Peoples, Davis, Thorp, and Lubin.

Present also: Gerhard Gesell, Special Counsel for the Securities and Exchange Commission.

The CHAIRMAN. The committee will please come to order.

Senator King has sent word that he is detained by a special meeting of a group of Senators interested in silver, so it may be some little while before he appears this morning.

Chairman Douglas, are you ready to proceed?

Mr. DOUGLAS. We are prepared to proceed, Mr. Chairman, in connection with consideration of insurance company managements, how they are elected and how they operate.

The CHAIRMAN. As yesterday, it will be under——

Mr. DOUGLAS (interposing). Mr. Gesell will do the examining for the Commission.

The CHAIRMAN. Your first witness is Mr. Ecker?

GESELL. Mr. Ecker.

The CHAIRMAN. Mr. Ecker, do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ECKER. I do.

TESTIMONY OF FREDERICK H. ECKER, CHAIRMAN OF THE
BOARD OF DIRECTORS, METROPOLITAN LIFE INSURANCE
CO., NEW YORK. N. Y.

METROPOLITAN LIFE INSURANCE COMPANY

Mr. GESELL. Mr. Ecker, you are chairman of the board of directors of the Metropolitan Life Insurance Co., are you not?

Mr. ECKER. I am.

Mr. GESELL. How long have you been chairman of the board?

Mr. ECKER. About 2 years. I am corrected and told it is nearly 3, but I know it is more than 2.

Mr. GESELL. You have been in the service of the company for many, many years, have you not?

Mr. ECKER. I have.

Mr. GESELL. In 1906 you were comptroller of the company, were you not?

Mr. ECKER. Comptroller or treasurer. I would have to look up the record to be sure of that.

Mr. GESELL. And since that time you have been treasurer, vice president, and president in succession?

Mr. ECKER. That is correct.

Mr. GESELL. I would like to inquire at the start this morning a little about your company, the size of its assets, the kind of business it conducts, and rather than ask you a lot of general questions I would like you to give us what information you can about that.

Mr. ECKER. I shall be very happy to respond.

Mr. Chairman, before my examination begins this morning I think you would want me to correct an erroneous implication contained in two of the charts which were produced at the opening of these proceedings yesterday morning. I refer to "Exhibit No. 218",¹ "Income and Expenditures of Life Insurance Companies," and "Exhibit No. 219",² Distribution of Income and Expenditure, 1937."

The first chart indicated that the total income of the companies over the total expenditures for 20 years ending in 1937 amounted to 20 billions of dollars, and it was implied that this represented profits to the 308 life-insurance companies in the operation of their business. As a matter of fact, the real situation is quite different. The difference between the total of the income as set forth in the chart and the total of the expenditures as set forth in the chart for any given year or for all years put together is represented almost entirely by additions to policy reserves required by law, and increases in other liabilities such as claims, dividends, and the like, and also additions to surplus. It must be understood that the New York law requires that surplus of a mutual company be annually distributed to policyholders except for an amount, also limited by law, to be held for contingencies.

In compliance with such law, or laws or practices prevalent in other States, companies have distributed to policyholders through the years in question more than \$7,500,000,000 in the shape of dividends. In actual fact, speaking for the Metropolitan Life Insurance Co. alone, the surplus funds of this company during the period in question increased by the sum of \$280,000,000, while the assets for the same period increased by \$4,000,000,000.

The bar chart, Mr. Chairman, might be used to illustrate the receipts and disbursements of a bank. That chart on the left would include all the income of the bank, including deposits; the chart on the right, all of the disbursements of the bank, cost of operation and what-not, and deposits withdrawn.

The way this was set up it would leave as a profit the deposits in the banks that had not been withdrawn. Our reserves are analogous to the deposits of our policyholders that have not been withdrawn. It isn't that the chart itself was incorrect, but it gives entirely the wrong impression and the newspapers have picked that up and referred to a profit of \$20,000,000,000. I know that wasn't in Mr. Douglas' mind.

The CHAIRMAN. Nothing was said here of profits in that amount.

Mr. ECKER. Yes, exactly; and I thought you would be interested and desirous that I should make that correction this morning.

¹ See supra, p. 1177.

² Ibid, p. 1181.

Mr. DOUGLAS. I don't recollect that any of the witnesses, Dr. Davenport, or Mr. Howe, so characterized it.

Mr. ECKER. The newspapers did, Mr. Douglas, and it gives a wrong impression. You wouldn't want the impression to go abroad that during these years the companies had a profit of \$20,000,000,000.

Mr. DOUGLAS. I don't think it is an impression that would be justified from the record of the hearing as constituted yesterday.

Mr. ECKER. I am saying that if it were a bank and the deposits had not been withdrawn but were left there and assumed to be a profit—which, of course, they are not—our reserves which are required by law are analogous to the bank deposits.

Mr. DOUGLAS. I think there is no misunderstanding—

Mr. ECKER (interposing). No; just that I want to correct a misunderstanding taken up by the newspapers.

The CHAIRMAN. Let me say that those of us who are living in a glass ball down here all the time realize that it is impossible to live up to the newspapers, and if we spent our time correcting the wrong ideas, we wouldn't have time to do anything else.

Mr. ECKER. Bear with me because we have 29,000,000 policyholders throughout the United States, and we are very sensitive that they shouldn't get the wrong impression.

Mr. ARNOLD. May I ask one question about the chart on page 7.¹ Is that total expenditures on that chart—

Mr. ECKER (interposing). Is that the bar chart? Let me see it. Sorry, Mr. Arnold, I am following you now.

Mr. ARNOLD. Does the total expenditure line on that chart include dividends?

Mr. ECKER. That have been disbursed; but not the dividends for which we carry a liability and which are obligations just the same at the end of a year. When you look at the statement of the company you wouldn't be very happy if it didn't include in its set-up of liabilities the definite obligations which we must pay.

Mr. DOUGLAS. I think that is what Mr. Howe meant yesterday when he was talking about these insurance contracts with long-term insurance companies.

Mr. ARNOLD. But the chart on page 7 does include actual income and actual disbursements of all kinds?

Mr. ECKER. Oh, yes. It is the same thing in both cases.

Mr. GESELL. I will return to my question now, Mr. Ecker. I asked you if you could give us some idea as to the size of your company and the various activities in which it is engaged.

Mr. ECKER. Perhaps the best way to measure the size would be to go back to the year just before mutualization, 1914.

Mr. GESELL. Your company was mutualized in January 1915?

Mr. ECKER. Exactly, and in the statement made for December 31, 1914, my recollection is that our total assets were about \$490,000,000. At the end of 1938 those assets had grown to be \$4,942,000,000.

The surplus at the end of 1914 was, in round figures, 31,000,000, and at the end of 1938 it was 313,000,000. The amount of business in force at the end of 1914 was just under 3,000,000,000. At the end of 1938 that total was 22,600,000,000.

At the end of 1914 we had paid to industrial policyholders, in bonuses payments that were not required under the contract, about

¹ See "Exhibit No. 218", *supra*, p. 1177.

\$47,000,000. That distribution of the bonuses, increased by the dividends since mutualization, brings the total up to about \$1,400,000,000.

If you would like to go back and look at the size of the company, we will say, at the end of 1906, I could give you those figures.

Mr. GESELL. In 1906 you had about 174,000,000—

Mr. ECKER (interposing). 176,000,000 of assets. We had a surplus at that time of about 16 millions. Our total business in force was just under a billion 700 millions.

Mr. GESELL. At the present time, Mr. Ecker, how many policyholders does your company have?

Mr. ECKER. As near as we can calculate it—and that can't be a positive figure—it is between twenty-eight and a half and twenty-nine millions of individual lives insured.

Mr. GESELL. That means about 1 out of 5 people you see on the street is insured by your company.

Mr. ECKER. That is true, and in the cities—our business is largely in the cities—we would probably average a third of all the people; and in some cities, like St. Louis, for example, more than half of the population are insured, so it might be said that in such cities every other man, woman, and child one meets on the street, in the home, or in the cradle, is insured in the Metropolitan.

The CHAIRMAN. How many of these, or what proportion of these are carrying group insurance?

Mr. ECKER. Group insurance of course is under the master policy issued to the employer.

Mr. GESELL. Does that count as one policyholder?

Mr. ECKER. That counts as one policyholder, but when we count the number of policies in force we use the certificates that are issued to the individuals who are insured under that master policy.

Mr. GESELL. So that in your figure of twenty-eight or twenty-nine million policyholders, you have included all members of the group.

Mr. ECKER. It is my understanding that we have.

We calculate that under group policies there are about two millions of people insured—individuals.

Dr. LUBIN. Mr. Ecker, of the 28,000,000 how many hold industrial policies?

Mr. ECKER. The exact figures I do not have, but I would say somewhere between twenty-two and twenty-three millions.

Mr. GESELL. You have group insurance, Mr. Ecker, with such companies as General Motors, General Electric, Union Carbon & Carbide, United States Steel Corporation, Westinghouse Electric and Manufacturing Co., Sears, Roebuck, Armour & Co., Socony Vacuum, and companies of that character.

Mr. ECKER. That sounds when you read it like a roster of our holders of group policies.

Mr. GESELL. These industrial policyholders that Mr. Lubin referred to are policyholders who pay premiums on a weekly or monthly basis?

Mr. ECKER. They are.

Mr. GESELL. Has the increase of your business in recent years been predominantly in the industrial field or in the ordinary field, or has the increase of both types of insurance been similar?

Mr. ECKER. I would say that the increase was more in the field of the ordinary insurance than in the industrial.

Mr. PATTERSON. Mr. Ecker, what proportion of these industrial policies lapse? Have you any idea, approximately?

Mr. ECKER. It is hard to answer that question without some little discussion about it.

Mr. PATTERSON. Well, that is all right.

Mr. ECKER. Let me say what I have in mind. There is a very large lapse reported in the industrial department on which only a week's premium is paid. In the ordinary department, those are classified as not-takens. In the industrial department there is a time within which the applicant may say he doesn't want the insurance and will take back his first premium. Usually it is so small an amount that the average industrial applicant doesn't bother to ask for the return of his money, so that all of that first week's premium lapse should really be compared with what is called not-takens in the ordinary. The company, however, must carry a liability for that insurance for that period. As a matter of fact we pay many death claims on which only 1 week's premium has been paid. A great deal of that business, while reported as a lapse in the first instance, due to the activity of the agent and his interest in the policyholder, is subsequently revived.

Now to answer your question, you have to make an analysis. It isn't easily answered without a full discussion.

Mr. PATTERSON. I am not asking you to answer that now, but I would appreciate it if you would get for the record, if possible, later, the number that do not mature, the approximate percent of industrial policies that do not mature.

Mr. ECKER. We will be able to give you that. It varies according to the economic conditions in the country, I have observed over a period of years. There was one time when the persistence of the industrial policy was better than the ordinary.

Mr. GESELL. Have you made studies of the lapse rate in your industrial policies, Mr. Ecker, of your company?

Mr. ECKER. We have.

Mr. GESELL. Who in your organization has made those studies, in case the committee desires to know more about it?

Mr. ECKER. I would say in the first instance that the actuary who gives attention particularly to the industrial department.

Mr. ARNOLD. One point wasn't entirely clear to me. You said those who had paid a single week's premium ordinarily didn't bother to ask for their money back. Are they entitled to it if they ask?

Mr. ECKER. Yes. They have a period within which they may say they do not want the insurance and want their money back, for example, if it is a 25-cent premium it isn't enough to bother with and they let it go, but the company has the liability just the same.

Mr. ARNOLD. How long is that period?

Mr. ECKER. It is 2 weeks, it has been 2 weeks for years, and under our new contract it is 3.

Mr. GESELL. Does your company operate in every State of the country? By that I mean, do you sell insurance in every State in the country?

Mr. ECKER. No. That would need this further explanation. I believe we are licensed to do business in every State. We do not pursue the business of insurance; we haven't agents actively writing insurance in every State.

Mr. GESELL. Do you know offhand the States in which your company doesn't operate?

Mr. ECKER. Well, in one State we have representatives to take care of the group insurance, life insurance and annuities that are written under a contract with employers where we have insured all of their employees. We are not actively prosecuting that business in that particular State, but we must have representatives there to take care of insured employees. We have agents, I think—can you tell me, Mr. Lincoln?

Mr. LINCOLN. Seven. Texas, Nevada, Wyoming, North Dakota, South Dakota, Arizona, New Mexico.

Mr. ECKER. Seven.

Mr. GESELL. Does that mean that your company doesn't operate in those States, Mr. Ecker, or does it do, say, a farm business in those States, money invested?

Mr. ECKER. Some of them we invest money in, yes, and we have farm investments and possibly some others.

Mr. GESELL. Your company owns and operates a large number of farms, does it not?

Mr. ECKER. During the depression we have had to foreclose on a large number of farms, and we have a very carefully studied policy for taking care of the farm properties, rehabilitating them.

Mr. GESELL. We will come to the question of your farm properties. All I am asking you now is generally the types of activities in which your company is engaged. In the real estate side, the urban real estate, you own and operate buildings, do you not?

Mr. ECKER. We do.

Mr. GESELL. Tenement houses, office buildings, all kinds?

Mr. ECKER. Yes; properties that we have foreclosed, of course.

Mr. GESELL. Yes; those are properties that you originally made a loan on, were obliged to foreclose, and since then you have operated them. You operate hotels, do you not, through a management agency?

Mr. ECKER. We operate hotels, I think, in every case through a lease or management operator.

Mr. GESELL. Has your company an interest in any large housing developments?

Mr. ECKER. Yes; we have in two. In 1922 there was a great shortage of housing and construction costs were very high. Under a special act of the legislature we undertook a demonstration. It was possible at the then prevailing high costs to produce shelter accommodations that could rent at \$9 a month per room. That was our first operation under the law in the nature of a housing project.

Mr. GESELL. You say you have two.

Mr. ECKER. That is one.

The CHAIRMAN. What was that room cost?

Mr. ECKER. Nine dollars per month per room, and that compared with similar accommodations that were offered in the market at \$12 and \$14 per month per room.

The CHAIRMAN. Did you give the construction costs per room?

Mr. ECKER. Can I do it now?

The CHAIRMAN. Did you in your answer a moment ago?

Mr. ECKER. No; I did not.

The CHAIRMAN. Do you know what it is?

Mr. ECKER. I know that in the project which we now have it is under \$1,100. I was going to say that we have a second project

which we are permitted to engage in under a special act of the New York Legislature, and that is an undertaking on a community basis. My feeling is that the ownership of a single piece of real estate, a corner, a block front, or a block comes very close to being speculative in character. I believe that if one can undertake an operation on a community basis; it may be so carried out and so planned as to make a sound investment of life insurance funds. With that in view, we acquired a piece in the Bronx, adjoining the Manhattan Island, on the subway, so the transportation is very good, 28 minutes from the Grand Central Station, about 31 minutes from City Hall, and we were fortunate there in getting a piece of property that had not been improved. It had been in the possession of the people from whom we had purchased it since 1868, and that enabled us to make a very advantageous plan, so that the streets would not be rectangular, so that it was possible to make construction that wouldn't look like an institution or a factory when completed, so that we could plan to make it a very attractive place for living.

I was going to say that the reason I think the community operation of the nature I referred to can be undertaken safely is that, if properly planned, there will be protection against obsolescence. In real estate, obsolescence is the factor against which we have to work.

Mr. GESELL. Well, now—

Mr. ECKER (interposing). May I finish this if it doesn't interfere with what you have in mind? The best protection against obsolescence is light and air. The old tenements that exist in New York City today, which are a part of the slum clearance operation, are those improvements where the landlord has covered 90 percent of his lot with the building and today those habitations are regarded as a failure.

Mr. DOUGLAS. What was the name of the first project?

Mr. ECKER. It hadn't any name, but it was located in Queens. For the present one in the Bronx our plans cover less than 27 percent of the land; that is our protection against obsolescence. The construction is all fireproof and that is our protection against deterioration. Then in the matter of equipment there are gadgets to go with the kitchen and the bathroom of the most improved type. There we are planning and expecting to provide an accommodation for housing for which there is an existing need.

Slum clearance operations are taking care of those in the lowest income group. There hasn't been as good provision made for those who are a little better circumstanced. We will provide improvements here which will rent for two-thirds, we calculate, of the rental that is charged for similar improvements built by builders for speculation.

Mr. GESELL. My question was directed simply to get some idea of the size of the company. We can come back to your housing projects at a later stage.

Can you give us some idea of the amount of new industrial business which your company has written in the last 2 or 3 years? Has it at all times been in excess of a billion dollars each year?

Mr. ECKER. Written? I don't think it has ever been that, but I would like to have the figures to tell you that. I don't have it in mind. I would be glad to produce it.

Mr. GESELL. Let me ask you this: For both your ordinary and industrial departments combined, let me ask you what has been the amount of business written per year?

Mr. ECKER. I can give it to you for any year that you are interested in, and possibly the separation.

Mr. GESELL. Just the last 2 or 3 years is all I want.

Mr. ECKER. The paid-for life insurance business issued during 1938 totaled \$1,810,000,000, of which the ordinary was \$875,945,000, industrial, \$832,256,000; group, \$102,000,000. That is last year. I can give you the same figures for any other year.

Mr. GESELL. Just the year before that, if you please.

Mr. ECKER. The year before that, the paid-for life insurance issued was \$2,393,500,000, of which the ordinary was \$1,162,000,000; industrial, \$1,000,000,000; group, \$214,000,000.

Mr. GESELL. Coming to another figure for the moment, can you give us any idea of the amount of money your company invests every day?

Mr. ECKER. I would say we invest about \$700,000,000 a year, but there is in that figure much of investment and reinvestment, short-term stuff which we may buy as a secondary reserve for cash, and when that falls due we reinvest it.

Mr. GESELL. It may include the investment of \$1 two times?

Mr. ECKER. Three times, maybe. The increase, of course, is shown by the increase in assets for the year.

Then we have maturities, payments on account, and these short term investments which may be a reinvestment of the same dollar in the same year in which it was originally made.

Mr. GESELL. Coming to another topic for a moment, your company is a mutual company, is it not?

Mr. ECKER. Yes.

Mr. GESELL. You said it was mutualized in January 1915?

Mr. ECKER. Yes.

Mr. GESELL. What is a mutual company?

Mr. ECKER. A mutual company is one in which there is no stockholding interest, one in which all of the assets of the company are held for the benefits of the policyholders, one in which all of the profits, after the board of directors determines the amount that should be added to surplus, is distributed to policyholders in the form of dividends.

Mr. GESELL. Is there any other outstanding characteristic of a mutual company that comes to your mind?

Mr. ECKER. Yes. The directors are elected under the laws of the State of New York by the policyholders.

Mr. GESELL. Now you were connected with the company at the time it mutualized, were you not?

Mr. ECKER. I was.

Mr. GESELL. Can you give us some idea, very briefly, of the factors which prompted that mutualization?

Mr. ECKER. Well, it is a matter of recollection. There were many factors. The company was growing rapidly; there was an increasing accumulation of assets and funds, the great bulk of which was contributed by policyholders, and there was a possibility of the stock getting into the hands of people who might not be as scrupulous as were the holders of the stock of our company. It might constitute a menace that in unfriendly hands there might be an attempt to

exploit the company or its funds for the benefit of the individuals who hold the stock.

Mr. GESELL. It was the fear, then——

Mr. ECKER (interposing). It was a recognition of that situation, rather than a fear, sir.

Mr. GESELL. Yes; there was inherent in a stock company the possibility that the stock might get into the hands of individuals who would run the company for their own interests, rather than those of the policyholders. Is that a correct statement?

Mr. ECKER. That is a correct statement, except that in our case, prior thereto, our policyholders had the right to vote for directors. They voted with the stockholders. That was a protection which we had which some other companies may not have had.

Now, I want to say that our stockholders, having knowledge of the care with which life-insurance companies were supervised by insurance departments, had confidence in a management under law which would afford good protection to policyholders, that it would be a good thing to mutualize.

The CHAIRMAN. May I interrupt, Mr. Gesell? You seem to draw a distinction, in response to Mr. Gesell's question, between fear of a condition which you both describe and recognition of it, the usual phrase. Just what did you have in mind in making that distinction?

Mr. ECKER. There wasn't any situation that caused us to be frightened about it, but we did recognize that a situation like that could develop.

The CHAIRMAN. What caused you to recognize that such a situation could develop?

Mr. ECKER. Nothing more than, as I have said, that the company was constantly growing in size and the funds were increasing, and then we had a capitalization of \$2,000,000.

The CHAIRMAN. Would it be a warranted conclusion that your recognition of the fact that the company was growing in size, that its assets and funds were accumulating, as you have stated, led you to the conclusion that greater precaution should be thrown around the administration of these accumulated funds?

Mr. ECKER. Purely in the interest of policyholders, to separate the interest of policyholders from stockholders.

I was about to say our capital stock was \$2,000,000. We had savings in the business far in excess of the dividend provision of 7 percent on \$2,000,000.

The CHAIRMAN. In other words, you recognized that as the size of the company grew, greater care should be exercised in the interest of the policyholders.

Mr. ECKER. Senator, that is true. For dividend requirements to stockholders we needed \$140,000 a year. We have been paying in dividends to policyholders for the last 10 years an average of \$100,000,000. Those are the savings that might correspond to profits on a corporation whose capital stock was \$2,000,000.

Mr. DOUGLAS. Was it felt, Mr. Ecker, that it might help sell insurance to mutualize, make the insurance contract a more attractive one to prospective purchasers?

Mr. ECKER. If you ask me if I think so now, yes; but we were a stock company, our premium rates were low, and we were successfully meeting the competition of mutual companies at that time.

Mr. GESELL. Then I gather from your statement in answer to previous questions that you believe at least as far as large companies are concerned that a mutual company is far better than a stock company.

Mr. ECKER. I think you must answer that with respect to the individual case. I feel that our company is managed in the interest of the policyholders, and that in our case mutualization has been a wise course to have followed.

Mr. DOUGLAS. What you are trying to say is that mutualization is no guarantee of wise, prudent management.

Mr. ECKER. I agree to that.

The CHAIRMAN. But you do agree that the greater the size, the more need there is for care in management.

Mr. ECKER. That is my opinion with respect to our company, if I may restrict my answer to our own situation.

The CHAIRMAN. You wouldn't object if we generalize?

Mr. ECKER. I wouldn't.

Mr. GESELL. At the time the company mutualized and the plan was presented to the policyholders on November 18, 1914, was it not stated that one of the advantages to be derived by the policyholders from the adoption of the plan included the fact that it would place the absolute control of the management in the hands of the policyholders?

Mr. ECKER. That was a provision in law that doubtless was stated at that time. There would also inure to the policyholder the benefit of his having contractual rights in the earnings of the company which he did not have in a stock company.

Mr. GESELL. Yes; there were other advantages that were presented to the policyholders, but was not one of the advantages which was mentioned, and that which was mentioned first, the fact that the management of the company would be placed absolutely in the hands of the policyholders?

Mr. ECKER. I would have to review the literature that was put out at the time, but I think that is quite a natural thing to have said.

Mr. GESELL. I have the literature if you would like to look at it.

Mr. ECKER. I don't question it. If you have the literature, of course I accept the record.

Mr. GESELL. As your company has worked out and as it has gone on since that date, do you feel that the control of the management still lies absolutely in the hands of the policyholders?

Mr. ECKER. It does under the provisions of the law, and I think that carries with it something more than the bare statement that the policyholder elects the directors. It is a relationship in which the company is supervised by State insurance departments, in our State headed by a very efficient man. The examination is required by law to be made every 3 years. It takes about a year and a half to make an examination of our company, and the result is that those examiners are with us about half the time.

Mr. GESELL. Now, this plan of mutualization, Mr. Ecker, conceived that the policyholders, not the insurance department, would control the management of your company, isn't that correct? And I want to keep you to that point.

Mr. ECKER. That is quite right, but I submit, sir, that it is something more than the mere policyholder's vote. It is in connection

with these circumstances under which we are carefully supervised, under which if there were any abuse in the management of that company, it would come to the notice of the supervising officials, and that would make it public, and that would cause policyholders to act if they had any cause for being dissatisfied.

Mr. DOUGLAS. Is the State commission in charge of the election machinery?

Mr. ECKER. It is.

Mr. GESELL. Do I understand then your position to be that the policyholder has as his protection the State supervision of your company, more than the fact that he can through his franchise right vote for and control the company through his vote?

Mr. ECKER. That is only incident to the fact that it would be difficult to mobilize by concerted and intelligent action, for the exercise of judgment, the many millions of policyholders which a company has—which we have, for example.

The CHAIRMAN. Your position is the policyholder exercises his right through a veto power rather than in management.

Mr. ECKER. Yes; and definitely if there were anything wrong.

Now, another factor in the situation is the expression that we would have from policyholders if there were any cause for complaint. We are meticulously attentive to all inquiries from policyholders. I don't believe we ever receive any letter that isn't answered, and that means a good deal in the daily task of the business. But most of our inquiries, practically all of them, relate to inquiries affecting their particular contract. I scarcely know of any complaints made of the management of the company. If there were reasons for it, I am satisfied we would have many.

That is one of the factors I have in mind when I say that the mutualization has been in the interest of the policyholders.

Mr. GESELL. In considering the advantages of mutuality, is it true that a mutual company, the management of such a company, doesn't find itself torn between the interests of the policyholders on the one side and the proprietary interest of the principal stockholders on the other?

Mr. ECKER. That could be said to be true, yes.

Mr. GESELL. Is it not a point which your company has made frequently, in urging the advantages of mutuality as opposed to the advantages of the stock company?

Mr. ECKER. I don't know that we have urged it in any case except the one time in our case when we were mutualizing our company.

Mr. GESELL. Let me read you a paragraph from a letter of Mr. Lincoln's dated November 1, 1937, addressed "To All Agents in the Metropolitan Territory." The fourth paragraph of the letter reads:

Your company is not a stock corporation with shareholders whose interest in its gains or losses would affect its management in determining its policies. On the contrary, as each of you know, the company is a mutual company, composed of some 29,000,000 individuals, holding over 43 million contracts with the company.

Does not that sentence indicate a feeling on the part of Mr. Lincoln, your associate, that the management of a stock company is placed in a dilemma by having to cater to the interests of the proprietary stockholders as well as those of the policyholders?

MR. ECKER. You might draw that inference, but my impression is Mr. Lincoln was stating a case and not desiring to cast any reflections upon what might be the interests of the stockholders if there were stockholders. He was stating a situation that exists.

MR. GESELL. May I ask you then, very specifically, to state for the record the advantages which you consider to be inherent in the mutual plan, not with any elaboration of them but with a definite cataloging of those advantages so we may have them for the record.

MR. ECKER. Haven't I already stated it?

MR. GESELL. My feeling is that I haven't learned it from you, Mr. Ecker.

MR. ECKER. I will attempt to do it again: that any savings in the business inure to the benefit of the policyholder. There are savings in the life-insurance business from only three sources: from mortality, from savings in expense and savings from interest.

In a mutual company, as I have stated, at the end of the year the board of directors determine the part of the savings that should in their judgment be added to surplus. All of the remaining savings are distributed to the policyholders in the form of dividends.

MR. GESELL. Does that come down to the fact that a person having a policy in a mutual company gets cheaper insurance than a person who has a policy in a stock company? Is that what you are stating?

MR. ECKER. That may or may not be true, but I am stating that whatever he pays is the net cost of the insurance, that after paying the net cost of the business the savings are distributed, retaining only for addition to surplus such amount of the savings as in the judgment of the board of directors is wise as a contingency reserve.

MR. GESELL. Do the mutual companies sell cheaper insurance, Mr. Ecker?

MR. ECKER. That I am sure can only be determined by taking the premium rates for each company and then following through.

MR. GESELL. You have made no study to determine—

MR. ECKER (interposing). May I finish? A policy, for example, might be cheaper in one company if it lasts 10 years, but if the policy lasts for 30 years it may be cheaper in some other company.

MR. DOUGLAS. Is it your judgment, Mr. Ecker, that the cost of your policy is by and large cheaper than the cost of a stock policy?

MR. ECKER. Competition, I think, Mr. Douglas, compels the stock companies to come pretty close to meeting the cost of insurance issued by mutual companies. I don't believe it can be said—it cannot be stated by me as a definite proposition as applying to all companies.

MR. GESELL. Then if competition results in the net cost of insurance being approximately the same in the mutual and the stock companies, the first advantage which you have just cataloged is not one which is peculiar to the mutual companies, or that results at least in any benefit to the policyholders.

MR. ECKER. I doubt if you can come to that conclusion. I am saying that in any event, whatever the savings are in a mutual company they belong to the policyholders. That isn't true with the stock company. It may be that in competition it works out, so there is little difference.

MR. DOUGLAS. In operation it may be merely a theoretical advantage.

Mr. ECKER. It may be, but I am stating what the fact is with respect to the rights of the policyholder.

Mr. GESELL. Then what is the next advantage which you can add to this list?

Mr. ECKER. That the policyholders elect the directors, and if there is any abuse that grows up in the management of the business, they have in their hands the ability to correct it by electing a different board of directors.

Mr. GESELL. It is a fact that the policyholders own and control the company?

Mr. ECKER. In the way I stated, the policyholders control the company.

Mr. GESELL. Are there any other advantages?

Mr. ECKER. Why, I don't think of any at the moment.

Mr. GESELL. Then we have one advantage which you have mentioned which may in practice not be an advantage at all, and we have the other very definite advantage that the policyholders control the management of the company.

Mr. ECKER. I feel that the first advantage is more real than you are indicating because all of the assets of every kind and nature in a mutual company are held for the benefit of the policyholders. In a stock company that isn't true. It may work out that the policyholder is just as well off, and I wouldn't say he isn't, but I am stating that difference.

Mr. GESELL. It is a difference which may or may not be important, depending upon the quality of the management of the different companies and other extraneous factors.

Mr. ECKER. I suppose that is so.

Mr. GESELL. Can you tell me whether or not the agents of your company in selling insurance use that fact that the company is a mutual company as one of their selling points?

Mr. ECKER. I haven't any doubt they do, but there is an absolute direction to our field organization that there should never be any invidious comparisons between our company and any other. The policyholder may be influenced by the fact, and doubtless is, that ours is a very large company, influenced by that as an indication of solidity and strength. We will not countenance an agent's making a comparison unfavorable to any company that is licensed to do business in the State.

Mr. GESELL. That is, an agent can't go to Mr. Policyholder and say, "XYZ Company here is a stock company and they are no good, and we are a mutual company and we are all right." But isn't it a fact that the agency force of your company continually, in selling insurance, talks to the prospective policyholder about the fact that the company is mutual?

Mr. ECKER. It is inevitable that in setting up the contracts which we have to offer the agent should state that it is a mutual company. That he actually goes out and points out to a prospect that he is better to have come into a mutual company than a stock company, I doubt it.

Mr. GESELL. That was what I wanted to know. Do your agents do that or don't they?

Mr. ECKER. I don't know.

Mr. GESELL. Have you any policy with respect to that as far as your agents are concerned?

Mr. ECKER. The policy that I told you of, sir. That is all.

Mr. GESELL. Are your agents instructed to talk to the prospective policyholder about the mutual nature of the company or are they not?

Mr. ECKER. Specifically to represent the contracts of this company as better than any other because it is a mutual company? I would say they are not, because it is involved in what I have said, that we do not permit our agents to make unfavorable comparisons or cast reflections upon any other company.

The CHAIRMAN. Is it your contention, Mr. Ecker, through the field force, to your prospective clients, that mutuality in a company is a great advantage over stock ownership?

Mr. ECKER. I would say "no," but it seems to me that the agent in his canvassing—he is resourceful and I dare say he puts his best foot forward in selling this contract.

The CHAIRMAN. You testified some moments ago that the reason for the change from the stock ownership to the mutual plan, as I recall it, was that the accumulated assets and funds of the company were growing so great that it was decided, to be in the interest of the policyholders to change to a mutual company in order to avoid the danger of exploitation of these resources in the interest of those who are in charge of the management.

Mr. ECKER. That was our situation, Senator. In connection with that, you notice I referred to how dividends have grown, that we have been distributing over and beyond the terms of the contract, in the form of dividends an average of \$100,000,000 a year, and our total capitalization was two million. I think that is a fine exhibit in itself.

The CHAIRMAN. Yes; you have paid \$100,000,000 a year in dividends for each of the past 10 years, is that right?

Mr. ECKER. I think it would average that. I haven't looked it up. I think that will come very close to it. We are paying 118 million this year, paid over 100 in each of the last 2 years—I will have to go back and look at the figures.

The CHAIRMAN. That is another phase of the inquiry. What I am trying to determine now is your point of view with respect to which system is preferable and why you think so, so I ask you the question, speaking out of your experience, Would you now recommend that the Metropolitan go back to a stock-ownership company, if that were possible?

Mr. ECKER. I would not.

The CHAIRMAN. And why not?

Mr. ECKER. Because the mutuality with us has worked out so advantageously. We have grown rapidly. That has been referred to and is here in the record. I believe that growth has come from our having a progressive management, from the whole conduct of our business being such as to win the confidence of the public. I don't think these things are accidental. I think the general reputation of the company has been such—

The CHAIRMAN (interposing). You say you don't think they are accidental. By that do you mean that they are the result of mutualization?

Mr. ECKER. They are the result of the management of this company and its reputation with the public, not necessarily as a mutual company, but as it exists, and it has been a mutual company since 1915.

The CHAIRMAN. Holding this conviction which you have just now expressed, that mutualization has been of such great benefit to your policyholders—

Mr. ECKER (interposing). To ourselves.

The CHAIRMAN. Yes; to your policyholders, do you or do you not hold that out to prospective clients as an argument for the purchase of insurance in the Metropolitan?

Mr. ECKER. As far as written instructions are concerned, no. What the men in the field may be saying, I don't know. We wouldn't object to it. I should say the only objection we would have would be if they make any invidious comparisons with other companies; that we would not allow. I dare say the agent in presenting his contracts presents every feature of the contract of the Metropolitan that to him seems desirable and under which the reputation of the company has been established, and under which we have grown to the extent that we have grown.

Mr. GESELL. Now, you have referred to the fact that under the mutual plan your company has grown much larger. As a matter of fact, while you have been a responsible officer of the company, it has grown from about 176 million in assets to close to 5 billion in assets, has it not?

Mr. ECKER. Four billion nine hundred forty-two million.

Mr. GESELL. And your company is now the largest in the world. Can you tell me whether this growth is, in your opinion, an advantage or a disadvantage to the policyholders?

Mr. ECKER. I believe it to be an advantage.

Mr. GESELL. Will you state very specifically why you consider it to be an advantage?

Mr. ECKER. Within limits the larger the volume of business the lower the percentage of overhead. The larger the volume of investments the greater is the benefit through diversification. We get, because of our large volume of investments, an experience of average not unlike the experience in mortality.

Mr. DOUGLAS. From that, Mr. Ecker I judge you conclude there would be no legitimate ceiling on size.

Mr. ECKER. There hasn't been any time when I thought that was a factor, because of changing conditions. I remember when \$10,000 was almost the limit that we felt our size would permit us to put in any one investment. I have seen that grow to where 10 million is only in the same proportion that the \$10,000 was. This is a matter of increasing the size of your units, and it has gone along with the development of the country. In 1906, which you are speaking of, I was curious to see what the Government disbursements were that year, and I find \$565,000,000; in 1937 it was \$8,000,000,000. These figures have a relative bearing on the situation.

Mr. DOUGLAS. You mean then that your company's growth has been with the growth of the country and that, therefore, has been profitable.

Mr. ECKER. Not necessarily with the growth of the country. With the growth of business and enterprise in the country.

Mr. DOUGLAS. Do you feel there is any limit to the size to which the Metropolitan can grow safely in the interest of its policyholders?

Mr. ECKER. I haven't fixed in my mind any place at which it would be unsafe to continue. If our business goes on just as it is now, it doesn't seem to me it would make any difference. I believe that our policyholders are better protected now than they were when we had the 176 millions of assets, and in the same way I believe we could continue to grow and furnish the same protection.

The CHAIRMAN. Why are they better protected now, Mr. Ecker?

Mr. ECKER. Because of this tremendous diversification. We have 100,000 separate investments. It is humanly impossible for any individual to have that. There is no such thing as a riskless rate. I think Mr. Douglas will bear me out. You have the law of averages, and the wider your diversification, the more protection you have.

The CHAIRMAN. My mind goes back to your original statement of the reason why you changed from a stock company to a mutual company. Thinking of that now, do you feel that it is an advantage to the policyholders and to the public that you have the mutual plan in the light of this great size?

Mr. ECKER. Yes; I think it has a bearing on that. If one could say that the dividends to stockholders should never change, get down to \$140,000 a year—

The CHAIRMAN (interposing). How does the mutual plan give the policyholders better protection than the other?

Mr. ECKER. From the stock standpoint, probably no better as long as there was no change in those conditions.

The CHAIRMAN. You felt that under the old conditions there was a possibility, because of the size, that those who were in charge of the management, the stockholders, the owner, the proprietary interests, could use these vast assets for personal purposes rather than for the benefit of the policyholders. Now is there anything in the mutual system that prevents that very same thing now—and I am talking generally, Mr. Ecker, you understand.

Mr. ECKER. I think what you are saying is a little more of an inference than what I generally said, but nevertheless I regard it as true that there would be the interest of the stockholder there which would be of a different character than the interest of the policyholder, and whatever that interest of the stockholder might be, it is entirely eliminated and everything here is for the benefit of the policyholder, with no other interest involved.

The CHAIRMAN. But now the mutual plan safeguards that interest, does it?

Mr. ECKER. I believe it does; yes, sir.

The CHAIRMAN. In what way?

Mr. ECKER. In that if there is anything in the management that isn't entirely creditable, that the policyholder through his right to vote would change the administration.

Mr. GESELL. It is in the franchise right of the policyholder then that the whole safety of the policyholder in a mutual company rests?

Mr. ECKER. That is true except that I do feel you overlook the fact that the policyholder's right to vote is made available by reason of the supervision of the State authorities whose business it is, and whose carefulness in conducting their work is such that if there were any abuses that would bring it out.

Now, without the supervision, it is quite possible that the policyholder couldn't have knowledge of his situation until it might be too late to repair it, but in conjunction with the supervision we have, I feel that the policyholder's having this franchise right that you speak of affords him protection which he would not have in a stock company.

The CHAIRMAN. And your statement to the committee that the supervision which is exercised by the various State authorities, and which you have described in the State of New York as consuming 1½ years out of every 3 years, is such as to prevent any abuse by management. Is that your statement?

Mr. ECKER. It would be extremely difficult to have any abuse that would not appear in these examinations.

The CHAIRMAN. Do these examinations go into matters of policy or merely to matters of auditing what has already been done?

Mr. ECKER. I think they go to every feature of the control of the business. There have been times when the insurance department has been very definite in expressing its views in matters of policy, not only the conduct of daily transactions but of policy in the management of business.

The CHAIRMAN. Can you give an example?

Mr. DOUGLAS. Do you refer to the character of the investments?

Mr. ECKER. No; I wasn't speaking of any investments; they cover that as well. I was thinking of the policy of management. Well—the insurance department has quite some authority under the law with respect to the payment of dividends; they have authority under the law, or at any rate have assumed it in the question of management of the company as a whole, where, for instance, in one department at the direction of the superintendent of insurance certain practices were established that would prevent waste or competition of a character that would lead to waste.

Mr. DOUGLAS. I suppose there might be included in that question valuation of the kind Mr. Howe was speaking about yesterday.¹

Mr. ECKER. I didn't hear Mr. Howe yesterday. Valuation of policies?

Mr. DOUGLAS. Assets.

Mr. ECKER. The insurance department makes our valuation of policies. They may value assets of course with respect to the desirability of the policy we have in force.

The CHAIRMAN. I wonder, to go back to my question, if you recall a particular instance of changing policy at the direction of the supervising authority of the State.

Mr. ECKER. Not required by law?

The CHAIRMAN. President Lincoln wants to make a suggestion.

Mr. ECKER. Let me answer, then you tell me. He knows more about that detail than I do. By law we weren't required to put up a certain reserve in connection with group insurance. At the direction of the department a different practice was developed that furnishes further protection to the policyholder, further than the law requires. The reserves for disability benefits were increased by reason of the requirement of the insurance department. They directed that be done; it was not a requirement of the statute.

Mr. GESELL. Perhaps we can get at this problem another way, which may be of some help. You had a question, Dr. Lubin?

¹ Supra, p. 1198 et seq.

Dr. LUBIN. Mr. Ecker, are the stock companies subject to the same supervision by the insurance commissioner as the mutual companies in the State of New York.

Mr. ECKER. I understand they are.

Dr. LUBIN. In other words, then, as far as the revelation of bad practices is concerned, the policyholder in the stock company has the same protection as the stockholder in the mutual company.

Mr. ECKER. So far as publicity is concerned, yes; but he may not have the right to put out a board of directors and elect another board. In the mutual company he has.

Mr. GESELL. Well now, has this growth of your company been encouraged by the management of the company?

Mr. ECKER. The growth of the business encouraged by the management? Yes; we have had a progressive management for years.

Mr. GESELL. That was not my question, Mr. Ecker. The question was whether you had encouraged the growth of your company through the writing of new business.

Mr. ECKER. I think I answered that. We have a very progressive management and have had it for years.

Mr. GESELL. My question is not whether it is a progressive thing to do to get larger, but rather whether you have definitely encouraged, as part of your management policy, the writing of new business, year in and year out.

Mr. ECKER. I don't see how you could take it out of the business. It is inherent in it. A man's compensation as an agent depends upon his writing.

Mr. GESELL. And who fixes that compensation?

Mr. ECKER. First of all it is fixed by section 97 of the law, under which you can't go beyond certain expenditures.

Mr. GESELL. Does section 97 say that you must pay a commission to a salesman for the amount of new business which he writes each day, each year, and each month?

Mr. ECKER. It says that there is a limit there of what you might pay.

Mr. GESELL. There is no mandatory provision in the New York law that you must pay a man for new business written?

Mr. ECKER. There is no mandatory provision to make the payment, but there is a mandatory provision that you can't pay beyond the limits fixed by that provision of the law.

Mr. GESELL. Isn't it a fact that your whole method of compensation encourages the writing of new business?

Mr. ECKER. Yes; that is inherent in the insurance business. Insurance agents are paid on the basis of their production—a commission on the premiums on the new business.

The CHAIRMAN. To put it in another way, the management of the Metropolitan has never come to the conclusion that the company was large enough, and should stop growing?

Mr. ECKER. It never has, Mr. Chairman, and that would result in our going out of business. You can't stand still. You either go forward or you go backward. You have an organization in the field who are depending for a livelihood upon their writing of life insurance. If you tell them to stop writing they will go to a company where they will get paid, and that whole organization will disintegrate.

The CHAIRMAN. So you naturally encourage the writing of more insurance.

Mr. ECKER. I tried to say it was inherent in the business, and I don't see how you can take it out of it.

Mr. DOUGLAS. And, Mr. Ecker, you have not adopted any policy of restricting the maximum amount of new business you will write in any one year, such as was recommended in the Hughes report?

Mr. ECKER. There was a time when we were required by law to limit our business, and I have a recollection that in 2 years we had to stop writing business because we were so close to the limit that there was danger of violating the law, and I recall now that on one of those occasions we had to say, "We will take your application and issue it next year." It would have been unfortunate if there hadn't been a change in the law that permitted us to increase the amount of writing.

Mr. DOUGLAS. But that ceiling in the law was taken off as respects new business?

Mr. ECKER. It was taken off as it was planned in the beginning, that it would relate to the economy of conducting the business. As I understand, and I was there, the conclusion of the Armstrong committee was that it was a question of expense, that in the desire to get business the companies were wasteful in the commissions they paid for writing new business, and those statutes were directed against stopping that wastefulness.

Mr. DOUGLAS. You don't think that condition exists today?

Mr. ECKER. You mean that section 97 is too liberal?

Mr. DOUGLAS. That that wastefulness, as you characterize it, no longer exists?

Mr. ECKER. It is controlled definitely by the statute now.

The CHAIRMAN. Mr. Ecker, in making these distributions of dividends to your policyholders, which you tell us have amounted to about \$100,000,000 a year for the past 10 years, do you have a policy with respect to the proportion of the earnings which are to be distributed in dividends, a fixed policy?

Mr. ECKER. No.

The CHAIRMAN. How do you determine, each year, how do the directors determine each year, how much they are going to distribute in dividends?

Mr. ECKER. Each year, when it is determined how much our savings are and how much we have accumulated in what might be termed "profits," the Board determines, according to the general economic conditions, I would say, how much should be added to our surplus with respect to economic conditions, with respect to the size of the company, and with respect to our obligations and liabilities under the policies outstanding.

In other words, when 29 millions of dollars seemed ample surplus for 500 millions of assets and 3 billions of insurance, 311 millions is relatively, in the judgment of the board, about the figure that it should be for the year with insurance in force of 22 billions.

The CHAIRMAN. I can see how you might come to that conclusion. What I am trying to find—

Mr. ECKER (interposing). Maybe I am answering it now.

The CHAIRMAN. All right, sir.

Mr. ECKER. Conditions obtaining at the time are very important. There are many factors that we take into consideration. We have been paying dividends for a good many years on a certain class of policies. Is it desirable to reduce those dividends, to reduce the

scale? It isn't possible to fix any proportion in the way of a percentage, because of these other factors that are involved. In one year, in the year 1937, we actually reduced our surplus instead of adding to it. These other factors taken into consideration, the money we had in certain special reserves, viewing the picture as a whole, it seemed in the judgment of the board that we could that year make a distribution that didn't increase our surplus at all. There are many factors.

The CHAIRMAN. Was that an unusual case?

Mr. ECKER. That was quite an unusual case; yes.

The CHAIRMAN. During the past 10 years could you tell the committee approximately how much has been added to surplus, while you have been paying \$100,000,000 a year?

Mr. ECKER. Our surplus this last year was reported at \$313,000,000. That includes our general voluntary reserve, which should be added to surplus. Now we go back to December 31, 1928, and our surplus was \$160,000,000, so that we have added the difference between 160 and 313.

The CHAIRMAN. That is \$153,000,000.

Mr. ECKER. Yes.

The CHAIRMAN. Now, if it were decided to put a ceiling to the growth of such a corporation, it could be done in one of two ways, could it not; first, by adopting a policy of not writing any more insurance, which you found an undesirable policy—

Mr. ECKER (interposing). Utterly destructive to the business.

The CHAIRMAN. And which brought about the changing of the law; or you could adopt a policy whereby at a certain point there should be no more additions to surplus. That would be feasible and a practical way.

Mr. ECKER. It might be, but I think it would be a dangerous way, for example let us consider mortality experience. We usually run along with an experience that doesn't vary materially from year to year in mortality. In the year 1918 the companies experienced about 170 percent of normal mortality. We had a pandemic. We may never have it again, but the Lord only knows. In the matter of interest, which figures so largely in the question you now have in mind, our average rate was well over 5 percent. It is down, now, to well—

The CHAIRMAN (interposing). I have been tremendously interested in this original statement of yours, that because of the accumulation of the assets and the funds the managers of your company decided upon a certain change in the interest of policyholders. Now, if accumulation of assets and funds, namely, if the size of the corporation, prompted you years ago to change the policy of the company, the question that keeps repeating itself in my mind is whether, when companies have grown to such tremendous size as was described here yesterday and as you have described, there should not, for the same reasons, be suggested similar remedies now, to protect the policyholders and the public.

Mr. ECKER. We have a ceiling with respect to surplus, that you spoke of, in the law. We are not allowed to have more than 10 percent surplus.

The CHAIRMAN. And as your surplus grows, as you add \$153,000,000 in 10 years, that naturally multiplies itself. Money begets money;

we all know that. Accumulations cause new accumulations, and as accumulations take place they have an inevitable effect altogether independent of management or integrity or even abuses or violations of the law; they have an altogether direct effect upon public interest. We all know that from experience.

Mr. ECKER. Without a question.

Mr. GESELL. I have a line of questioning which I think will assist the committee on this problem.

The CHAIRMAN. I apologize to the counsel for interrupting.

Mr. GESELL. I would like to get some facts into the record that I think will be of assistance to you.

Mr. ECKER. There is something that I would like to say with reference to the operation of the companies under the Armstrong laws, and maybe you have many more questions to ask me, and I would like the privilege of keeping that in mind.

Mr. GESELL. I want to ask you this question, Mr. Ecker. Does this acquisition of new business result in an immediate gain to your company?

Mr. ECKER. You mean gain in assets?

Mr. GESELL. I am always thinking of your company in terms of policyholders. Is it to the advantage of the policyholders when this acquisition of new business is made, as soon as it is on the books?

Mr. ECKER. I believe policyholders have been influenced by the size and strength of the company, so that it is a rather intangible benefit to them.

The immediate improvement in the financial part of the business is on the negative side. It costs money to put new business on the books on account of the reserves set up. That is rapidly made up as the business stays.

Mr. GESELL. Now, let's see about that. Isn't it a fact that, taken as a whole, the new business issued by the Metropolitan results in an initial loss to the company? That is to say, does not the sum of the expenses incurred on such new issues during the first policy year—

Mr. ECKER (interposing). Exceed the premium.

Mr. GESELL. The claims incurred on such business and all other expenses, exceed the gross premium?

Mr. ECKER. I have said so; I have said that it did.

Mr. GESELL. Now is it only for the first year or isn't it a fact that the business must have been on the books quite a while?

Mr. ECKER. It depends on the form of contract. The actuary would make that exhibit for you and he would show you in some classes of policies it may be some time before the experience of the issue of that year is out of the red, as it were. Some other form of policy may get into the black the next year.

Mr. GESELL. Taking first your industrial department, I have here some figures contained on page 47 of the Report of the State of New York Insurance Department, which would indicate that there is a loss in the first year, taken as of December 31, 1936, of some 233 percent of the reserves.

Mr. ECKER. I haven't those figures, but I would accept them, of course.

Mr. GESELL. And that in some types of weekly premium business almost 4 years elapse before that loss is made up?

Mr. ECKER. That may be.

Mr. GESELL. And then in your ordinary department there are some types of $3\frac{1}{2}$ percent business which I think takes 6 years before that cost is made up.

Mr. ECKER. Our insurance exhibits are accurate in that respect, yes.

Mr. GESELL. I would like an opportunity to elaborate on this.

Mr. ECKER. Very well, go ahead.

Mr. GESELL. If you take, then, any group of persons who become policyholders in the company at the same time, is it not a fact that that group of policyholders who lapse their policy before that entire loss incurred by the class of which he was a member has been fully liquidated has not borne his respective share of the loss contributed by the class of which he was a member?

Mr. ECKER. May I ask that the question be repeated?

(The question was read.)

Mr. ECKER. I would like the actuary to answer that. He is here. The answer is no.

Mr. GESELL. It isn't a question of reserves at all.

Mr. ECKER. Yes, it is; but when he surrenders his policy, you asked me if he had suffered some loss because there has been a charge made to put that business on the books.

Mr. GESELL. No; I am talking about the company. What happens is that you take money out of surplus to build up a reserve which is required against that business. As a result the company has lost money, has it not?

Mr. ECKER. Now, listen, if it were true that every dollar of insurance that was written was written with that in mind there wouldn't be any written, there couldn't be; it is all involved in whether the institution of insurance is a service and whether we shall continue to perform that service. It isn't possible to write insurance without any expense of acquisition, and if you proceed on the theory that no expense should be incurred in writing new business you would never write any, you wouldn't have any policyholders, there wouldn't be any in this class that the examiner is asking about. Isn't that true?

Mr. DOUGLAS. I don't think, Mr. Ecker, that the line of questioning here is designed to attack the fundamentals of insurance. It is merely to get at the facts as to who bears the cost in case of lapses.

Mr. ECKER. It is apparent that the first year's business costs more to put on the books than is received in the premium. If that is the question there isn't any doubt about it.

The CHAIRMAN. I think perhaps the witness is disturbed by the inference which might possibly be drawn from the word "loss" and I don't believe that the examiner intends it in the manner in which the witness makes the inference.

Mr. GESELL. I do mean to state that in the acquisition of new business there is a definite and irretrievable and absolute loss to the policyholders who were in the business before that new business was written.

Mr. ECKER. It is not irretrievable, because you have just said that it is made up in subsequent years of that experience with that business.

The CHAIRMAN. If I were to say that new business is written at an expense you would not object to that statement.

Mr. ECKER. No; I have stated it costs more.

The CHAIRMAN. In other words, you don't make a profit for the policyholders and the company from the very moment that new business is written.

Mr. ECKER. That is correct.

The CHAIRMAN. And in the sense that it is an expense it is a loss.

Mr. ECKER. It is an acquisition expense that is inherent in the business.

The CHAIRMAN. But it may be recovered later on.

Mr. ECKER. It is an expense actually recovered later on.

Mr. ARNOLD. May I clarify this in my own mind? Without regard to the general policies of the insurance business, but confining ourselves to this particular question, is it correct to say that the existing policyholders would gain if no new business were written?

Mr. ECKER. Are you asking me if we stop writing business—

Mr. ARNOLD (interposing). I am not asking you anything about whether it should be your policy to write new business or whether the country needs new business. Leaving those aside for the moment, is it a fact that the existing policyholders in a company would gain if no new business were written?

Mr. ECKER. If from heaven or some other place all the expense of conducting a business and looking after the affairs were provided, or provided in some manner or other, yes.

Mr. ARNOLD. That is provided by reserve.

Mr. ECKER. But always temporarily, sir. Take this question you are speaking of. If a man lapses his policy in the first year it would be just against the reserves that have been put up. That is why that business costs us money. We get the money in the premium but we are required by law to set up a reserve for which the premium has provided. If he lapses immediately he doesn't get that reserve. Isn't that right? [Turning to Mr. Bassford, the actuary.] So there hasn't been any loss in that respect to the existing policyholders.

Mr. GESELL. That man has gotten his insurance for the period before he drops out of the company at a cost less than he would have gotten it otherwise, and the difference is made up by money taken from the policyholders who are already in the business.

Mr. ECKER. I think that is only true in the respect of our having to put up the reserve. If the reserve wasn't put up against his insurance, there would be no transaction in red on our books.

Mr. GESELL. With respect to this matter, Mr. Ecker, is there someone on the staff of your company who can prepare us a schedule with respect to these matters and present it to us?

Mr. ECKER. Yes; specifically if you will give us what you want we can do it, but I think the committee would be interested in this part of the Armstrong report to which you have referred.

The committee believes that the following is a proper standard for reasonable and profitable expenditure for new business, viz: That the expense of new business should not exceed the loading on first year's premiums plus the present value of the mortality savings on a conservative basis for 5 years after admission. These two items arise directly from the new business. Were there no new business, neither the loading on new premiums nor these mortality gains would be realized. It costs the other policyholders nothing to permit them to be used in this way, and if the cost of new business is kept within these limits, both old and new policyholders are the gainers.

I hadn't read that, but that is definitely an opinion expressed with the thought that I had in mind.

Mr. DOUGLAS. At the same time that committee did give certain recommendations for a ceiling on new business per year, did it not?

Mr. ECKER. They did, but promptly changed it as conditions

changed, and as a matter of fact Mr. Hughes, Governor Hughes, or Judge Hughes, who drew those statutes in the beginning, was then Governor and signed the bill that amended it. However, it was followed through by the same thoughtful intelligence that proposed it.

Mr. ARNOLD. To clarify my—

Mr. ECKER (interposing). I wonder whether it would be appropriate at this point to call your attention to what Judge Hughes said about this, following 20 years later. I don't know whether your attention has been called to this, but he made an address before the Association of Life Insurance Presidents, the very opening sentence of which was:

In appearing before you today, it seems to me like the fulfillment of a dream and the justification of a faith of twenty years ago.

Some of the things that we have been discussing are in this at some length. Would it bore you if I were to just read a sentence or two?

The CHAIRMAN. I assure you Judge Hughes never bores.

Mr. ECKER. I mean would I bore you.

Dr. LUBIN. May I ask the date of that?

Mr. CHAIRMAN. Please give the date.

Mr. ECKER. December 9, 1926, 20 years after he drew these statutes. I have quoted his opening remarks.

The CHAIRMAN. A little over 12 years ago.

Mr. ECKER. Yes; but he says:

But the lesson taught by your success is that cooperation must have expert direction. It is well that policyholders should have the opportunity to correct improper management, and their power though latent must be real; they must have the final control. But if they undertook to manage affairs directly, they would make a mess of it. How to obtain the safeguard of ultimate control by those whose interests are at stake, and the continuity and efficiency of expert management, without the intrusions and insincerities of politics or the fantasies of dreamers, that is the great problem. It has been solved to a gratifying degree in your case. It could not have been so successfully solved if respect for the fiduciary obligation of officers and directors had not been maintained. The members of your companies are so numerous, so scattered, so helpless individually, that while the insurance company is not technically a trustee it is practically the highest form of trusteeship. You represent trust and service. The vast accumulations in your care, and your reports as to your dealings with them, testify to trust protected and service performed, and what higher satisfaction can there be than the consciousness of that?

There is more of the same thing, but this likewise bears on it.

From the millions of policyholders you would get strong criticism if you were remiss, but you are also assured of powerful support against mischievous assaults upon management which they recognize to be conducted in their interest. We have a fortunate balance, mutual undertakings under competent direction, with confidence in the integrity of management and a wholesome public supervision which is now as little menaced by political interference as any great public undertaking in democracy can well hope to be.

The CHAIRMAN. Mr. Ecker, that is tremendously interesting, and I am sure we all are moved by the same idea. As a matter of fact, as I listened to you read what Justice Hughes had to say about the mutual undertaking and the desirability of competent management and the desirability of building up confidence in that management, his discussion about the great number of persons involved, how they are scattered all over the country, and how they are helpless, if I remember the word which you just read, I am moved to draw the comparison between what he was talking about and what this committee is trying to do. The Metropolitan Insurance Co. changed its form because as its size grew and the policyholders grew and the

accumulations grew it came to the conclusion that in the interest of those policyholders, who were numerous and scattered and helpless, some new policy had to be evolved. Now we are impressed with the fact that the population of the United States, numerous and scattered and helpless, under the present management not of insurance companies alone, but of all business and of all industry and of Government also, need concentrated attention of patriotic citizens to develop the same sort of a cure in this larger field which was developed as a result of the insurance investigation of 1906.

Mr. ECKER. Well, we have been very cooperative. I believe, expressing a personal opinion, that extreme publicity is one of the great cures, or preventions, rather, for abuses in a business, and our business is a fine example of that. Every transaction of ours is put before the public, as it were, in our reports to the insurance departments. We have a volume of printed pages of some three hundred pages that contains information about the transactions of the company, and then we have this examination, and extreme publicity is given to all of the affairs of the life insurance business. If that were true of every industry in the country I believe there wouldn't be an opportunity for any abuses.

The CHAIRMAN. Since you approve of publicity, then, of course, you are giving your benediction to this inquiry.

Mr. ECKER. I am cooperating with it in every way possible. There has been no resistance on my part or on the part of anybody connected with the Metropolitan.

The CHAIRMAN. Chairman Douglas made that statement at the opening, and he assured me all through the inquiry that the officers not only of the Metropolitan but of all the insurance companies were cooperating in a very satisfactory manner.

Mr. GESELL. Now let's get back to the subject of size.

Mr. ECKER. It is a large subject.

Mr. GESELL. You are familiar with Best's Life Insurance Reports, are you not?

Mr. ECKER. Oh, yes.

Mr. GESELL. Are you familiar with the computations which those reports make of the expense ratios of total insurance expense per \$1,000 of insurance written and paid for?

Mr. ECKER. Not in the sense that I would like to discuss it; no. It is only in a general way I have knowledge of it. I would be glad to have our actuaries deal with that question.

Mr. GESELL. Best's Life Insurance Reports are recognized by the industry as a source to refer to for all kinds of pertinent information are they not?

Mr. ECKER. I understand on some points they are not.

Mr. GESELL. Are they or aren't they on the question of expense ratios?

Mr. ECKER. I understand they are not.

Mr. GESELL. Has anyone else ever made a study of expense ratios other than the Best Life Insurance Reports that you know of?

Mr. ECKER. I don't know of any.

Mr. GESELL. And isn't it a fact that in the preparation of these expense ratios with respect to your company, your actuaries and other employees of the Metropolitan are in constant consultation with officials of Best, and efforts are being made to work out ratios which properly take into account different types and different forms of insurance written?

Mr. ECKER. My actuary is here, and he says no.

Mr. JOHN L. O'BRIAN. Mr. Gesell, we will be very glad to place our actuaries at your disposal for questioning on this subject, with which they are entirely familiar.

Mr. GESELL. Do I understand that Mr. Ecker is not familiar with the question of whether expense ratio on a thousand dollars of insurance has risen or declined in the last few years?

Mr. ECKER. Beyond the fact that I know they are there, I am not. Nor am I acquainted with these computations in our office and the attempts on the part of Best to get from us any confirmations of the figures that he uses, but our actuaries are here and they would answer that.

Mr. GESELL. Let me ask you this question. Has your company ever made a study to determine whether the expenses are rising or declining with respect to the writing of \$1,000 of insurance, the carrying of \$1,000?

Mr. ECKER. The actuary is here. We have made studies?

Mr. H. R. BASSFORD. We continually make studies.

Mr. ECKER. From day to day. It wouldn't be otherwise. It isn't a question of making studies; it is a question of experience and the record of the business.

The CHAIRMAN. Mr. Actuary, you were about to make a remark.

Mr. BASSFORD. I was remarking that we have criticized the very figure that he is quoting from Best's analysis because it is not a fair statement of expenses, a fair comparison of expenses.

Mr. GESELL. I haven't quoted any expense ratio for the record. I was trying to find out.

Mr. BASSFORD. You quoted a method.

Mr. GESELL. He should be sworn, Mr. Chairman, if he is going to testify.

The CHAIRMAN. Let me say that everybody here is tremendously interested and it is only natural that there should be this intervention from time to time.

Mr. O'BRIAN. I think the lawyer started it.

Mr. GESELL. Mr. Ecker, have you made any studies of this problem of expense within your own company?

Mr. ECKER. I think Mr. Bassford answered the question to the extent to which we have made a study of expense. I say we must necessarily in the record of experience of the business know of the expense.

Mr. GESELL. Let me put it this way. As chairman of the board of directors of the Metropolitan Life Insurance Co., are you not in a position to tell me now whether it has been advantageous or disadvantageous from the point of view of expense for your company to grow in size? I think that is a fair question and doesn't need the actuarial assistance.

Mr. ECKER. I would refer the question to the actuary, however, because it should be supported by actuarial calculations.

Mr. GESELL. Is this matter of growth of your company and the writing of new business a matter of policy determined by the board of directors of the company as the representatives of the policyholders?

Mr. ECKER. Yes, but—

Mr. GESELL (interposing). Have you considered the question of expense in your board meeting?

Mr. ECKER. Why, we must inevitably consider it. We review all the matters that come before the board which are matters of policy.

Mr. GESELL. Do you recall the consideration that you had with respect to the matter of expense in the figures you had before you?

Mr. ECKER. If you are asking of a specific instance, no; but it is all involved in the policy of the company, and that is the only way that I can answer that question. Are we going to continue in business, or are we going out of business? There are certain expenses that are inherent in the life insurance business, to which we have referred and I understand you agreed, and if we say that we can't incur those expenses that means we stop writing insurance, so that the policy of the company to continue its existence, to continue the prosecution of its business, it seems to me, is the answer to your question.

Mr. GESELL. No; my question is whether the board of directors of the Metropolitan, since you have been a member of that board, has ever considered this question of expense and determined the amount of new insurance which should be written as a matter of company policy.

Mr. ECKER. Only with respect, as I have stated, to whether we will continue to write insurance or not.

Mr. GESELL. It is just will you or won't you, and not a matter of degree or amount.

Mr. ECKER. I can make no other answer than that which I have intended to give, which is that there has never been a time when the board of directors has considered it was desirable to stop writing business.

Mr. GESELL. Have you any figures with respect to that question in your head? Is that problem one the board has been considering even informally?

Mr. ECKER. I have no figures in my head. I would ask the actuary for figures.

Mr. DOUGLAS. Have specific figures on this point been presented to the board from time to time?

Mr. ECKER. Presented in the summing up of the business of the year, and the recommendations of the actuaries with respect to the distribution of savings. All of these formulas are presented to the board which makes the picture of the company's conditions and situation, but if you say, has something in Best's report compared with the expenses of our company and other companies been presented to the board, no.

The CHAIRMAN. I understand you to say, Mr. Ecker, that the board of directors has never come to the conclusion that new business should not be written, and that you have never discussed that possibility of ceasing to write new insurance, is that correct?

Mr. ECKER. Except by the inference that we are going on doing business upon the state of facts presented to the board in our annual statement.

The CHAIRMAN. So you have not, as I understand you, in the board of directors considered this specific question of the ratio of cost?

Mr. ECKER. As to whether we should continue writing business or discontinue it, in that respect, no.

Mr. GESELL. Also as to the amount of new business you should write. Assuming you must write some new business to make up for the business you lose, it is still a question of degree, is it not, as to how much you should write and the types of insurance you should write?

Mr. ECKER. That would be reflected in the reports to the board, where if it transpires it is costing too much money to do this business, then the question comes up, shall we continue it, much as a manufacturer would do if when his cost sheets were presented to him, he saw it was costing too much to manufacture one line of goods and he had to consider whether he should stop it.

Mr. GESELL. Have those questions been presented to the board, and in what form and what kind of reports, and when?

Mr. ECKER. The reports to the Board are the reports of the business as a whole. The management, which includes all officers of the company, are studying every phase of the business all the time. They bring before the board their recommendations and that constitutes board action. There is no part of the conduct of our business that is concealed from the board.

You are asking questions there that must be regarded by the board of directors as having to do with algebraic or arithmetical, technical, features of the business, in which they must rely on the actuaries. If an actuarial formula was presented to me in algebraic form, I frankly couldn't follow it, but I can follow what my actuary tells me are the conclusions based on that formula.

Mr. GESELL. Have you had conclusions of your actuaries telling you that you should write as much business as you can, every year, year in and year out, and how have those conclusions been expressed?

Mr. ECKER. We haven't had them; there has been no occasion for them. It is a question for the business as a whole. We have from our actuaries the results of the operations in the various classifications of our business, and there has been very careful consideration given to how this business is growing, whether we are getting out of what I term the red, when we may expect this particular class of business to be in the black. Those are questions which the actuary brings to management and they are carefully discussed, and where there is a recommendation for change it goes to the board.

Mr. GESELL. Mr. Chairman, may we request the Metropolitan officials to produce at some convenient time to them such studies as have been made with respect to this question of expense? I would like to hold out of the record these Best expense ratios until we have in hand such studies as the Metropolitan has, so it would be a matter of fair comparison and consideration for the committee.

The CHAIRMAN. Of course, your request is rather broad, Mr. Gesell.

Mr. GESELL. We will be glad to have our men sit down with representatives of the company and work out the matter in memorandum form.

The CHAIRMAN. Mr. ECKER, you have heard the request of the examiner for the Securities and Exchange Commission.

Mr. ECKER. I think we would hesitate to compare ours with other companies. We have never done it.

The CHAIRMAN. That I don't think is the point.

Mr. GESELL. No; comparisons within the company itself.

The CHAIRMAN. The question is, will you detail—

Mr. ECKER (interposing). Anything we can do in cooperating with this committee, we will do.

The CHAIRMAN. If you will be good enough to detail one of your actuaries to meet with some person to be designated by Chairman Douglas, I think this matter can be pursued.

Mr. ECKER. We will continue the same cooperation, Mr. Douglas, in this direction as we have in every other.

Mr. GESELL. I am interested in this problem from another point of view, Mr. Ecker. You said you invest each year about something over \$700,000,000. Is that easier to invest than, say, \$300,000,000 a year, or harder to invest? Does it create any new problem to your company in terms of management and in terms of policyholders?

Mr. ECKER. It hasn't up to the present time. I say it is a question of increasing the units. Where \$10,000 was the limit at one time, in the same proportion \$1,000,000 might be the limit today.

Mr. DOUGLAS. That is, it doesn't stretch a management's ability to choose and select investments of the type that companies like you are entitled to invest in?

Mr. ECKER. I think it is taken care of in my statement of increasing the units. There is a limited field of investment for life insurance funds, but where it is a question of the proportion or relation it bears to our requirements, all of our investments that are in our portfolio are selected with respect to our requirements: Long-term, short-term, and even the cash itself. There are times when we need more cash than others. There are times that are so uncertain that our cash balances are running much higher than they would if everything were smooth sailing.

Mr. DOUGLAS. That would run on the average a little less than \$2,000,000 a day to invest?

Mr. ECKER. I think we invest about that. Of course, in that total investment are included policy loans, and I don't know just what the figure would be if we took out policy loans.

Mr. DOUGLAS. Would it bring it down substantially?

Mr. ECKER. Of course, our policy loans account for about \$50,000,000 a year.

Mr. DOUGLAS. So it wouldn't affect the total per-day figure?

Mr. ECKER. Not materially; no. I would say we are investing on the average of \$2,000,000.

Mr. DOUGLAS. But as the money to invest each day increases, it does tax the capacity of any management, does it not?

Mr. ECKER. I don't know that I could agree to that. If you had 10 opportunities for investment in which the size of the company limited the appropriate amount, we will say, to \$100,000, that would invest \$1,000,000. Now, if your company was about 5 times as big, you could invest \$500,000 in each instead of \$100,000. It isn't always available, so you don't say that is the rule, that you take \$500,000 instead of \$100,000, but you do take the larger amount opportunity offers. It levels out to something like a relationship toward the amount you have to invest with respect to investment requirements.

Mr. DOUGLAS. So the problem of size as it is reflected in the amount per day to invest is not a troublesome one?

Mr. ECKER. It hasn't got to the point where it is troublesome, no. Investments are not available at satisfactory rates of interest. We are forced to take a lower rate, but that is the market condition. That has no relation to the amount; it is the economic condition.

The CHAIRMAN. Could you say what the average single investment was in 1919 as compared with the average investment now, the average amount?

Mr. ECKER. It would be a pure guess.

The CHAIRMAN. You have never made any computation of that?

Mr. ECKER. No, sir.

The CHAIRMAN. Do you think there has been quite a growth in the average?

Mr. ECKER. Oh, yes; we take 40 millions in one investment now which we wouldn't think of taking at that time.

The CHAIRMAN. In other words, the units with which you deal have been growing with the growth of the country, and there is naturally a demand for larger loans than there was 30 years ago.

Mr. ECKER. That is true; and then the other feature, that we have grown so that where \$100,000 would be a proper amount in our portfolio 20 years ago, now it might be a million. You see, it is in proportion to 5,000,000 or 500,000,000 or 1,000,000,000.

The CHAIRMAN. But still it isn't like increasing—to invest \$2,000,000 a day is not like investing \$200,000 a day, so far as the care and burden of the person charged with the responsibility is concerned.

Mr. ECKER. Surprising as it might seem, I mean to say it is. There isn't any difference; we are as careful, as meticulous in investing 200,000 as in 2,000,000.

The CHAIRMAN. I am not talking about that. I am talking about the burden and responsibility of the management.

Mr. ECKER. It is a question of taking 10 times as much in the investment.

Mr. DOUGLAS. And it is a question of management of 10 times as much in the portfolio, because your problem doesn't end with making the investment.

Mr. ECKER. But that doesn't involve any more; \$100,000 would exercise no more care or no less care than a million.

Mr. PATTERSON. How about diversification?

Mr. ECKER. The diversification is determined by what is available, and I would say the field of investment for life-insurance funds is limited. It isn't expanding, but rather it is contracting.

Mr. PATTERSON. How about the diversification in 1906 versus today?

Mr. ECKER. I would say there was today a larger field than there was in 1906, not in character but in amount.

Mr. PATTERSON. Undoubtedly there is a larger field today, but is your diversification larger or greater than it was then?

Mr. ECKER. I rather think it is; yes.

Mr. GESELL. Would you say that you have made no investments because of this additional amount that you had to invest, that you wouldn't have made if you had had a smaller amount of money? I am not talking about the size of the investment now, I am talking about the investment itself.

Mr. ECKER. If I understand your question correctly, you mean that we have not purchased by reason of the amount of money a security which we would not have purchased if we had a lesser amount. Is that what you are asking?

Mr. GESELL. That is right.

The CHAIRMAN. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:35 p. m., a recess was taken until Wednesday, February 8, 1939, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

WEDNESDAY, FEBRUARY 8, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:10 a. m., pursuant to adjournment on Tuesday, February 7, 1939, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senators O'Mahoney (chairman), and King; Messrs. Henderson, Arnold, Douglas, Ferguson, Peoples, and Patterson; Representative Reece.

Present also: Mr. Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

SELECTION AND ATTENDANCE OF DIRECTORS IN METROPOLITAN LIFE INSURANCE COMPANY

The CHAIRMAN. The committee will please come to order. Mr. Gesell, are you ready to proceed?

Mr. GESELL. I am. I would like to offer certain material for the record at the opening of the hearing today. First, an advertisement of the Metropolitan Life Insurance Co. which advertises the fact that it is a mutual company, and which I think will be of value on the record.

The CHAIRMAN. How do you identify it?

Mr. GESELL. I can through Mr. Ecker, if you wish

Senator KING. Is there any controversy?

Mr. O'BRIAN. There is no controversy as to the authenticity of any of it.

Senator KING. If there is no controversy as to whether it is a mutual company what is the necessity of cluttering up the record by putting in an advertisement that it is a mutual company?

Mr. GESELL. We had some discussion yesterday with respect to the advertisement of the mutual nature of the company.

The CHAIRMAN. Without objection the exhibit may be admitted. (The advertisement referred to was marked "Exhibit No. 231" and is included in the appendix facing p. 1522.)

Mr. GESELL. Since we are going to be considering on several occasions during this week the manner in which directors of companies operating in New York are elected, I think it would be well to have the record include a copy of section 94 of the New York insurance law, which establishes the provisions for the election of directors in mutual companies. I wish to offer this for the record.

Senator KING. That is the entire act?

Mr. GESELL. That is the section relating to the election of directors only. It is not the entire act.

The CHAIRMAN. Without objection the exhibit may be admitted. (Section 94 of the New York insurance law referred to was marked "Exhibit No. 232" and is included in the appendix on p. 1522.)

Mr. GESELL. I would also like to offer for the record a list of the directors of the Metropolitan Life Insurance Co. I would like to show it to Mr. Ecker first to be sure it is accurate.

Mr. ECKER. Without comparing it with the list, I would say it is right.

Mr. GESELL. If there are any corrections——

The CHAIRMAN (interposing). You are satisfied it is a correct list?

Mr. GESELL. Yes, I am.

The CHAIRMAN. If there should be any error of any kind it will be corrected.

Mr. DOUGLAS. I think, Mr. Chairman, that we might have a standing agreement as respects these exhibits all being put into evidence subject to correction by the other party if errors should later appear.

The CHAIRMAN. Very well, it may be so understood.

(The list referred to was marked "Exhibit No. 233" and is included in the appendix on p. 1526.)

Mr. GESELL. From information submitted to us by the company from Mr. Lincoln, the president, we have prepared a schedule showing the business affiliations of the directors of the Metropolitan, whose names are contained on that previous exhibit. I would like to offer this schedule of their other business affiliations for the record.

The CHAIRMAN. Has Mr. Lincoln seen that?

Mr. GESELL. He has not. He has provided the information with which it has been prepared.

The CHAIRMAN. With the same understanding, that it is subject to correction or amendment, it may be received.

(The schedule referred to was marked "Exhibit No. 234" and is included in the appendix, on p. 1526.)

Mr. GESELL. I might point out that that schedule indicates among other things that the present board of directors of the Metropolitan are affiliated as directors with 14 bank and trust companies, with 13 industrial companies, with 3 life insurance companies, with 1 accident company, with 1 surety company, with 9 fire insurance companies, with 1 casualty insurance company, with 2 mercantile companies, with 2 oil companies, with 4 publishing companies, 8 real estate ventures, 10 railroads, 1 steamship company, and 18 utilities.

I would also like to offer for the record, subject to the same qualification, a schedule showing the number of directors of the Metropolitan attending each meeting of the board of directors held from the period from 1929 to 1938. This schedule has been prepared from the actual attendance records submitted to us by the company and is offered subject to check. During that period, this analysis reflects that there were a total of 125 meetings, 12 or 13 meetings a year, and that the average attendance at those meetings was 15 out of a board of 24 or 25, as the case happened to be. The number of meetings attended by 20 directors, which was the greatest number ever attended, was 2, and the schedule shows various details with respect to this matter.

Mr. ECKER. Mr. Chairman, I noticed that the examiner referred to our directors being affiliated with these various other industries. I suppose you mean directly or indirectly. You do not mean by affiliated that they had important interests.

Mr. GESELL. I said that they were affiliated as directors, I believe.

The CHAIRMAN. It is qualified, I notice, on the first page, "Affiliated as officer only," "Affiliated as director only." Apparently the schedule is analyzed.

Mr. O'BRIAN. May I ask if you intend to examine Mr. Ecker about that attendance list, because standing by itself it would be misleading. Certain of these directors live at great distance.

Mr. GESELL. We will examine Mr. Ecker at some length.

The CHAIRMAN. Without objection this schedule may be admitted. (The schedule, referred to was marked "Exhibit No. 235" and is included in the appendix on p. 1529.)

Mr. GESELL. Now can you tell us briefly, Mr. Ecker, the manner in which the board of directors of your company is selected. The law itself is in the record, and I would simply like a general statement of the manner in which that is done.

TESTIMONY OF FREDERICK H. ECKER, CHAIRMAN OF THE BOARD OF DIRECTORS, METROPOLITAN LIFE INSURANCE CO., NEW YORK, N. Y.—Resumed

Mr. ECKER. Covering a period of many years, I can speak with knowledge that our directors are chosen for certain qualifications: First, their standing in the community, high character and integrity, for their experience that would qualify them for the service on our board. They are selected at the suggestion of various members of the board, in many cases at the suggestion of the principal executive officer of the company who is very jealous of its reputation, who is anxious to do his utmost to see that the best men available are obtained.

Mr. GESELL. By the principal executive officer, you refer to yourself, do you, Mr. Ecker?

Mr. ECKER. Executive officers—to a large extent to myself now since I am Chairman of the Board, very much with the President—

Senator KING (interposing). Let him finish his answer to the question which you propounded, how they were selected. You interrupted very properly at that point. Were there any reasons or any other grounds upon which selections are made, other than those which you have indicated? You stated character and fitness.

Mr. ECKER. Character, integrity, fitness because of their knowledge and experience to render service, and then our company does business throughout the United States and Canada, which makes it important that we should have a director or two, we have thought, in Canada, likewise a director on the Pacific coast, and then here and there a director throughout the country, not necessarily chosen for any specific district—that hasn't been in mind—but men in various parts of the country.

Now, in the building up of our board, it follows that the men at distant places are not able to attend meetings with the same regularity as those at home, nor are they expected to, but in no single instance that I can think of have we ever had a director who wasn't ready to

respond to a call and make it his business to attend a meeting if it was important that he should be there.

Then we need on the board—first of all, by New York State law a majority of the board must be residents of the State. That in a measure limits the selection so far as geographical location is concerned.

Then we have the men who are available to serve on committees, that carry on the work of the company and give close attention to it. The volume of transactions is large and under our State law there are certain specific things which may only be done with authority of the board, as for instance, the purchase or sale of any property shall not be made or contract entered into which shall not first have been authorized by the board, or a committee of the board appointed to supervise such investment. That is the basis of our organization. The detail work to a very large extent is done by committees who meet more frequently, who get the whole details of transactions, enter into discussions of them, and then their actions are carefully reported to the board for approval by board action, for the approval of minutes, ratifying and affirming the action of committees. So that in a sense in the selection of directors we must have in mind men who are convenient and whom we may expect to come to meetings nearby and to be available for our committee work.

The CHAIRMAN. Can you give us the names of directors not citizens of New York State?

Mr. ECKER. We have two men in Canada, Coleman, who is the second man in authority on the Canadian Pacific Railroad, and Mr. Taschereau, who, by the way, is not on the administration ticket for reelection. Mr. Taschereau was Premier of Quebec. On the Pacific coast we had for very many years Mr. William H. Crocker. He has recently died. On the administration ticket we have a man selected to take his place, and there was a question of a good deal of careful—

The CHAIRMAN (interposing). What do you mean by the administration ticket?

Mr. ECKER. The law provides in the matters of election that there shall be a ticket nominated by the board of directors known as the administration ticket. There is provision in the law for nomination of the opposition ticket, and in contradistinction one is called opposition and the other administration, and the ticket nominated by the board to be voted on at the next election by policyholders is called the administration ticket.

The CHAIRMAN. Pardon me, you gave us two names, the name of Mr. Coleman and—

Mr. ECKER. Yes, Coleman and Taschereau, and Crocker on the Pacific coast. In Chicago we have Follansbee, who at the time of his selection was president of the Bar Association of Chicago. We have a man named Samuel Fordyce in St. Louis. We thought we had a man in Pittsburgh, a man outstanding in importance in a business way, and he withdrew from the board because he thought it not desirable for him to continue. Those are the men I think of who are out of town, all available, on call when we need them.

Now I say we have the men we think of as the working members of the board.

The CHAIRMAN. Is there another out-of-town man? I thought Mr. Lincoln was about to suggest one.

Mr. ECKER. We have a man in Washington, Mr. Fleming. And who else have we out of town? Mr. Merriam is also in Washington part of the time, and Topeka, Kans.

The CHAIRMAN. That constitutes the list of those not citizens and residents of New York?

Mr. ECKER. That is right.

Senator KING. You have an organization a good deal like Senate committees. We have full committees and subcommittees. The subcommittee may meet frequently on matters reported to them, and report to the full committee.

Mr. ECKER. Working committees, yes, sir; working members, as it were. In that make-up of the board there are some men who are not attending regularly; we don't expect them to. Then we have men who have been with us a long while and have grown ill, or something or other. There is a good deal of feeling in our board as I think there would be in any corporation with respect to an employee who has rendered long and valuable service and become incapacitated, we don't want to discharge him immediately. I have in mind a case like Charlie Schwab, a very prominent man, who rendered real valuable service to us. He got awfully sick and he said, "You had better drop me." I said, "You have rendered service to this company and we don't want to drop you. We want to keep you on the board."

He got well, he hasn't been very regular in attendance but he is there if we call for him.

Mr. GESELL. With respect to the individual attendance of the directors, I wish to bring that out with facts, letters and correspondence, and possibly move along faster, Mr. Chairman, if we do it that way.

Mr. ECKER. Mr. Chairman, you asked me about the selection of our directors and I was seeking to give you a picture of the way we operate. I trust that is all right. Finishing what I was saying, there have been instances of men who have been long with the company, have been long on the board, fulfilling all of our expectations. I say ours, speaking as one of the board. As an instance, a man named John Anderson—he is elderly; he is not in good condition; he comes to board meetings but can no longer attend committee meetings. The controlling thought I have had about it is: Has this at any time caused us any inconvenience? Have we available an ample number of working directors for a quorum? And I recall no time when we have had any difficulty in getting a quorum. I think I said to one of these men, I think Charlie Schwab, I wrote to him and said, "We have no trouble having a quorum for our meetings." If that is the case at all, I will be free to take some different attitude.

Now Mr. Taschereau in Canada was selected prior to my administration as president. I think there was an understanding—he says there was and I don't question it—with the former president, that he wasn't expected to come down to meetings. Again, he was available if he was called for, and it was expected in the prominent position he occupied, as Premier of the Province of Quebec at the time, that he might not get down to meetings; but there were times, many times, when our people in Canada had conferences with him and talked about business matters; and I don't know that his services were actually sought in any particular case by the Home office, but they were

available if in any way as director he could render service to the company.

His record of attendance when the examiner gets to it will look pretty bad. Those are the circumstances, however, and it was a subject of correspondence with me prior to our last selection of the candidates for the administration ticket, and it resulted in his saying he was unable to attend meetings, as reported to him we feel he should, and he asked not to be renominated.

Mr. GESELL. Now, the directors are elected to represent the interests of the policyholders?

Mr. ECKER. Why, certainly.

Mr. GESELL. They are elected by the policyholders as the policyholders' representatives, are they not?

Mr. ECKER. Yes; elected by the policyholders.

Mr. GESELL. To represent the policyholders.

Mr. ECKER. They are elected by the policyholders. There are no other interests to represent in our company than the policyholders'.

Mr. GESELL. The executive officers of the company are responsible to the board of directors for their conduct, are they not?

Mr. ECKER. That is right.

Mr. GESELL. You referred to Mr. Schwab. From the attendance records which I have before me, he attended no meetings in 1932 out of 13; 1 meeting in 1933 out of 13; no meetings in 1934 out of 12; no meetings in 1935 out of 12; no meetings in 1936 out of 12; 1 meeting in 1937 out of 12; and 1 meeting in 1938 out of 12.

Mr. ECKER. It was during the period of his illness, and I should again put emphasis on the fact that the directors serve in other capacities than merely attending meetings—I don't say merely, it is very important they should, but their services are always available and he had in the past rendered in a good many instances valuable services to our company. There were times when we had large meetings. Mr. Schwab was a very magnetic speaker and I can remember occasions when he did a splendid service, making speeches for the company to large meetings of the policyholders.

When we come down to serving in his community, in his part of the country, in Pennsylvania, his directorship with the company was of value to us. It is hard to measure these intangibles, but they are really there.

Mr. GESELL. You mean of value to you, in getting new business

Mr. ECKER. Yes; the reputation of the company.

Mr. GESELL. Now, Mr. Schwab wrote you on February 9, 1934 saying, "Dear, Dear Friend," and he told you he had been in bad health and said as follows [reading from "Exhibit No. 236"]:

You probably have heard that I have been in pretty poor health the past 5 months, and I do not seem to be rapidly recovering. As a result of this, I am retiring from everything I can. You probably also have noticed that I have even retired from the Chase Bank where I have been a director so many years. The only directorates I am now on are those of the Bethlehem Steel Co. and the Metropolitan Life Insurance Co.

It seems to me that you should have someone who could give active attention to your company as a director, and this I am at present unable to do nor likely to be able to do for some little time. Under these circumstances I wonder if you would not like me to resign to make way for someone else.

Do you recall receiving that letter?

Mr. ECKER. Yes; I remember it. What was the date?

Mr. GESELL. February 9, 1934.

Mr. ECKER. Mr. Schwab remained on the board of directors.

Mr. GESELL. In 1935 and 1936 he attended no meetings. You wrote him on February 15, 1934, in part as follows [reading from "Exhibit No. 237"]:

Dear Charlie, and may I have the privilege of also adding my dear, dear friend: * * * With respect to the particular subject of your letter, we are having no difficulty in getting a quorum for our meetings. Frankly I would have more regret than you express at breaking off your relations with the Metropolitan. I much appreciate the way your write about it. My preference is the situation should not be disturbed. If, on our side, it changes at all, I will be frank and let you know.

Now, in writing that letter, Mr. Ecker, did you consult the board of directors or the policyholders as to what your position should be?

Mr. ECKER. You can't be serious in asking if I consulted the policyholders. We have 29,000,000 of those. I discussed it with members of the board, yes; whether it came up in any formal way I don't know. The board minutes show where there is formal action taken, but there is a great deal of discussion at board meetings that isn't recorded unless it takes the form of some definite action. I don't know whether I spoke to the whole board about it or not. My impression is I did. If you ask me what I said, I don't know, but the whole situation was discussed with members of the board.

Mr. GESELL. Do you recall whether or not there was a board meeting between February 9, 1934, and February 15, 1934, when you replied?

Mr. ECKER. Well, there wouldn't be. The board meetings are held on the fourth Tuesday of the month.

Mr. GESELL. February 27 would be your board meeting?

Mr. ECKER. Unless there was a special meeting.

Mr. GESELL. Were there any special meetings?

Mr. ECKER. None that I recall. The record will show that.

Mr. GESELL. Your meeting was held February 27, 1934?

Mr. ECKER. Yes.

Mr. GESELL. Does that assist you in recalling whether you took this matter up with the board of directors?

Mr. ECKER. In a formal manner I did not take it up with the board of directors, but I say I consulted with other members about the situation, as to whether it was wise to keep Mr. Schwab on the board.

Mr. GESELL. I would like to offer in evidence the two letters, portions of which I have just read.

(The letters referred to were marked "Exhibits Nos. 236 and 237" and are included in the appendix on p. 1529.)

The CHAIRMAN. They may be received.

Mr. GESELL. Are you authorized by the board of directors, Mr. Ecker, to make decisions of this character without asking the board of directors?

Mr. ECKER. Decisions expressing my personal preference of whether a man should stay on the board or not—is that the question?

Mr. GESELL. When a man states he is unable to be in active attendance and wants to resign.

Mr. ECKER. I am authorized to express my individual opinion about it; yes. That isn't the action of the board.

Mr. GESELL. Mr. Alanson B. Houghton was a member of your board of directors and is at the present time?

Mr. ECKER. Right.

Mr. GESELL. He is not up for reelection?

Mr. ECKER. He is not.

Mr. GESELL. Did he not also indicate to you that he was anxious to get off the board?

Mr. ECKER. Yes; in the course of and after many years of association, and his gradually retiring from active business. He was the head of one of the largest manufacturing enterprises in New York State or in the country; he was a prominent man, had been a Representative in Congress; he was subsequently the Ambassador of the United States to Germany and thereafter Ambassador to the Court of St. James—a prominent man.

Mr. GESELL. Now the first time the question of his resignation came up was some time in 1934, was it not?

Mr. ECKER. I can't say as to date, but it was the subject of some conversation between us, whether you have any memorandum in the minutes or record of it or not, we talked of it.

Mr. GESELL. I was interested in your statement that it came up in connection with his retiring from business, because the attendance records which I have of the company indicate he attended no meetings in 1921, 1922, 1923, 1924; one meeting in 1925; none in 1926; one in 1927; and none in 1928.

Mr. ECKER. Was he Ambassador at the time? I haven't looked up the dates.

Isn't it interesting to know that it is our practice to send copies of our minutes to our directors who do not attend meetings and those who do, so that they can keep in touch with everything that goes on? I remember when he was in Berlin and also when he was in London, we sent him regularly minutes of our board meetings.

Mr. GESELL. Do I gather, then, from what you say, that you do not think a director elected by the policyholders as their representative must give active attention to the day-to-day affairs of the company as they come before the board?

Mr. ECKER. You will find a reflection of my views in a letter to Mr. Taschereau. I have stated very definitely it seemed to me he should attend meetings, but for day-to-day attention, unless asked for, I couldn't expect that of a director. He is not employed by the company. He attends meetings when called, for which he gets a nominal fee. It is a great public service rendered by the directors of a mutual life-insurance company, and there isn't any such thing as compensation for their time and effort. It is a contribution they make to the public cause, and we feel privileged to call upon them at any time when meetings are not in session, and, of course, to discuss matters of conduct of the business with them when they hold meetings, but that they should be giving attention from day to day to the business of the company, except as called in for conference, it would not be expected.

Mr. GESELL. It would then rest with the executive officers of the company to determine when they wanted to consult those members of the board and the kind of things they wanted to bring to their attention as representatives of the policyholders?

Mr. ECKER. The by-laws show that the policies of the company are in the hands of representatives elected by the board of directors. They are whole-time men, and give their whole time to it. The advantage

of the policyholders having the privilege of voting lies in their securing better protection, as I said yesterday; that in the first instance the great responsibility must be with the management, giving attention, whole-time attention, to the business. The method of management is subject to the closest scrutiny by the departments of insurance of the various States, and if there is any abuse anywhere it is bound to be brought to light, and then the policyholders have opportunity to change the board of directors, to change their representatives, and with us we have had no complaints. If there were dissatisfaction, it may be assumed we would have had those complaints.

Mr. GESELL. Let me ask you this. Is there any necessity of your board being as large as it is?

Mr. ECKER. I couldn't say it was necessary it should be as large. It might be larger, it might be less. So far as working is concerned, there is just this one thing, that if we have to have 50 percent of our board, a majority of our board, resident in New York, we couldn't have a board very much less and have any representation outside of New York.

The CHAIRMAN. What is the provision of the New York State law with respect to the appointment of directors and their duties? ¹

Mr. ECKER. I suppose it is in the general corporation law. I would have to ask my lawyer to tell me that. I do know that the law provides that in case of a life insurance company the majority of the board of directors shall be residents of the State of New York, and it is in our charter and I think it is in the State law. We will furnish it, sir.

The CHAIRMAN. I won't interrupt the inquiry at this point.

Mr. O'BRIAN. I have a copy of the charter and bylaws, and that fixes the number of directors.

The CHAIRMAN. Does it prescribe their duties?

Mr. O'BRIAN. It defines their responsibilities.

Mr. GESELL. This is both the charter and the bylaws? I would like to offer this for the record.

The CHAIRMAN. It may be received.

(The charter and bylaws referred to were marked "Exhibit No. 238" and are included in the appendix on p. 1530.)

The CHAIRMAN. [Reading from "Exhibit No. 238":]

ARTICLE IV

SECTION 1. The corporate powers of said corporation shall be exercised by a board of directors, by a president and vice president of the corporation, and by such other officers and agents as the board may elect or appoint and empower.

SEC. 2. The board of directors shall consist of 25 directors elected as hereinafter provided, that being the present number of its directors.

SEC. 3. The board of directors shall have power to make and prescribe from time to time such bylaws, rules, and regulations for the transaction of the business of the corporation and the conduct of its affairs, not inconsistent with the laws of the State or this charter, as may be deemed expedient, and to amend or repeal such bylaws, rules, and regulations.

SEC. 4. Nine directors shall constitute a quorum for the transaction of business; but a less number may meet and adjourn from time to time until a quorum is present.

Mr. LINCOLN. Their duties are largely in the bylaws, too, you will note.

Mr. ECKER. It is true, Mr. Chairman; that following the New York law, copy of which counsel will supply, policyholders elect directors.

¹ See "Exhibit No. 232", appendix p. 1522.

You will see that that provision of law gives no opportunity for a vote to be cast or received and counted that is not on a ticket that has been nominated in accordance with the provisions of the law. In consequence, if at a date, I think it is in September, there has been no——

Mr. O'BRIAN (interposing). November.

Mr. ECKER. If by November there is no opposition ticket nominated, then votes may only be received and counted for the administration ticket. For years, even though there was no opposition ticket, we thought it was a wise thing to have policyholders informed about their rights to vote, and it would be a good thing to call their attention to it, so that at small expense we send out ballots. It can't change the result, since only votes may be cast and counted for the administration ticket. It wouldn't be possible for us to mail a ballot to every policyholder of our vast company, 29,000,000 policyholders.

The CHAIRMAN. I observe from the law that you are required to nominate your so-called administration ticket 7 months in advance of the election. Did I understand you to say just now that there sometimes is not an opposition ticket?

Mr. ECKER. There has never been one, as a matter of fact, in our case, but if there were one, it must have been nominated by some time in November, and in the event of there being no opposition ticket nominated under the law, ballots may be received and counted only for those who have been nominated on the administration ticket, so that the actual holding of the election doesn't change, doesn't have any effect—the voting doesn't—and I dare say it is a matter of wonder or amazement that we have always had the election. We have always done what we could to inform policyholders regarding their rights to vote. On every policy of the company, on every premium receipt, on every premium receipt book, there is advice to the policyholder with respect to his right to vote.

Mr. GESELL. The next witness, Mr. Tully, who is in charge of the elections, will go into great detail with respect to these facts.

Mr. ECKER. With respect to the machinery. The ballot, the election, is held by the insurance department, the superintendent of insurance of the State of New York, not by us. We have certain cooperative work, and for that purpose we do everything that we can to facilitate holding that election.

I want to say that we have 400,000, sometimes 500,000 votes cast. Only the administration ticket could be elected, but we felt that it was good policy to keep our policyholders informed of their rights to vote, that it was a desirable thing to do. They are more familiar with the procedure if there should be any reason for their changing it.

The CHAIRMAN. I take it from what you say that the law was apparently so drafted that the administration could select the board of directors and control the elections. As a matter of practice, that is the way it works out.

Mr. ECKER. The Armstrong report says votes should be limited to the nominated candidates and suitable provision should be made for new nominations and the casting of votes under proxies in case of the death or incapacity of any person nominated, and so on.

The CHAIRMAN. In other words, the system which you describe actually makes it difficult for an opposition ticket to be effective.

Mr. ECKER. No; I should say not. It is only that it must be nominated in accordance with the provision of the statute. A man couldn't come to the meeting and say, "I am going to place a ticket in opposition to the administration ticket." In order to avoid the possibility of an attempt to nominate unacceptationable candidates and the subsequent substitution of an inferior ticket, the elections should be limited to those who have been nominated in a prescribed manner. That is in the Armstrong law.

The CHAIRMAN. That is very clear. I was merely commenting on the effect of it, and you have testified that there never has been an opposition ticket.

Mr. ECKER. There never has, and notwithstanding that we always have the elections and bring to the notice of the policyholder his right to vote.

The CHAIRMAN. It would be a rather difficult thing to develop an opposition ticket with 29,000,000 policyholders, would it not?

Mr. ECKER. Oh, no. The machinery is provided there for nominating an opposition ticket. If there were an abuse and it was publicized, there would be votes by our policyholders that would put out of office any unsatisfactory board of directors.

Senator KING. I would like to ask a question.

Mr. ECKER. This whole subject—my counsel calls my attention to the fact that while we have been operating for all these years under the laws which were recommended by the Armstrong committee and by Mr. Hughes, they are now being carefully studied again with respect to whether there should be any revision.

Senator KING. I suppose when your ticket is nominated, the administration ticket, due notice is given of that fact through the press and through such agencies as your organization possesses.

Mr. ECKER. When a nomination is made, probably not; but just as soon as we are required to take some action on it, yes. As a matter of fact, we can't know until about the end of the year that there will be no opposition ticket nominated, and then we prepare ballots by the first of the year and send those to our agents who distribute them by hand to the policyholders.

Senator KING. So the policyholders, then, are advised of the ticket?

Mr. ECKER. Oh, yes. They are given a ballot and proxies.

Senator KING. Have you had, after the ticket has been nominated by the administration, objections to any specific candidate in any considerable number?

Mr. ECKER. I don't recall a single instance where there were any.

Senator KING. In these various elections?

Mr. ECKER. I recall no instance in which there was any objection raised by any policyholder.

Dr. LUBIN. Mr. Ecker, are these policyholders notified as to who has been nominated immediately before the election date?

Mr. ECKER. There is no practical way of advising them except that we put on their policies, on their premium receipts and premium receipt books, this information of their right to vote at these elections which are held in odd years, held every 2 years on a date in April.

Mr. GESELL. May I again suggest that we are going to cover this with the following witness.

Mr. ECKER. Wait a minute. In addition to that——

The CHAIRMAN (interposing). Do you want to suggest that we as members of the committee not interrupt the examination? I will be very glad to do that, if that is your desire.

Mr. GESELL. I would, because we have a special witness on this matter.

The CHAIRMAN. The witness has been answering questions which have been directed to him by members of the committee.

Mr. ECKER. May I finish that one question?

The CHAIRMAN. We will give you ample time to finish it. I want to explain to Mr. Gesell and other members of the committee, in previous hearings we have had a rule which permitted the examiner or the witness to proceed uninterrupted by members of the committee, and that frequently works out advantageously. Now, Mr. Gesell is asking us, sitting at this side of the table, to refrain from interrupting his examination of you, and I think probably in the interest of orderly procedure and in your own interest, it will be desirable for us to refrain.

Mr. ECKER. Well, inasmuch as this has been brought up, I think it is of interest to know first that the fullest information is given to our policyholders through our publications. We have a magazine known as the "Metropolitan" that contains the fullest information to our policyholders, giving methods of electing, and advising them of the administration ticket when it has been nominated. Then, of course, by law we are required to make certain publications. There is in no sense any secrecy about it. We do our utmost to publicize it.

Dr. LUBIN. Mr. Chairman, in order that the record might be clear, in view of the witness' answer, may I just ask this final question?

The CHAIRMAN. Without objection on the part of the examiner, Dr. Lubin, you may.

Dr. LUBIN. Are these policyholders notified of the ticket while there is still opportunity available for them to put up an opposition ticket? Is there time for them to do anything about it?

Mr. ECKER. When we advise them of who has been nominated, it is probably too late, except that they know by the advice we give them all the time of their right to vote and the conditions under which they may vote.

Mr. GESELL. Now, returning to this question of attendance at directors' meetings, Mr. John W. Davis was a member of your board for some time, was he not?

Mr. ECKER. He was.

Mr. GESELL. He was elected according to the records we have on October 26, attended one meeting in 1926, two in 1927, two in 1928, one in 1929, one in 1930, and one in 1931 and finally resigned April 28, 1931. He was one of the New York directors to whom you have referred, was he not?

Mr. ECKER. He was one of the New York directors and also one of the directors whom we were glad to have on the board and did not recognize as a day-to-day or week-to-week committee worker; he was not on any of the committees.

Mr. GESELL. Now on June 27, 1930, did he not write you the following letter? [Reading from "Exhibit No. 239":]

I was greatly disappointed when just as I was leaving my office to attend the directors meeting on the 24th matters came forward which made it impossible for

me to get away. This has happened so often in the past and my attendance at meetings has been so infrequent that I am driven to the conclusion that I should get off the board and permit you to elect someone whose attendance can be more relied upon. I quite agree that no member of any board of directors should complain if he is called upon for half a day once a month. If he finds it, however, difficult or impossible to give even that much time, I think he should get out of the way.

You replied in your letter to him of July 1 partly as follows [reading from "Exhibit No. 240"]:

I wish you would give the matter further thought in the hope that your decision will be otherwise. I have understood that because of your many engagements it was not always convenient to attend the regular meetings, but have felt that in case of necessity you would be available.

Do I gather from this correspondence that as in the case of Mr. Schwab you made the decision that the man, the particular director in question, should remain on the board even though in each instance the director himself felt he was not adequately doing his duty and service to the company as a representative of the policyholders?

Mr. ECKER. As the principal executive officer with the responsibility that goes with that office, I was expressing my individual opinion for such weight as it would carry. I felt it my duty, as I have said repeatedly, to very jealously guard the interests of and render the best service possible to secure in the interests of the policyholders. That was my particular job.

Mr. GESELL. Now following this correspondence, is it not a fact that Mr. Davis was again nominated on the administration ticket for service for another period of time, and his name went out to the policyholders for election?

Mr. ECKER. If that is the record; I am unable to say that without looking it up, but if you say that is the record of course I accept it. He was a very outstanding man, a very useful man, and one that we valued as a director of the company. I trust you will bear with me if I repeat that service is not limited to just attending meetings; there are services in various ways that are helpful.

Mr. GESELL. I wish to offer the two letters I have read in evidence. (The letters referred to were marked "Exhibits Nos. 239 and 240" and are included in the appendix on p. 1539.)

Mr. ECKER. After all, Mr. Davis was a Democratic candidate for President of the United States.

Mr. GESELL. I would like also to offer in the record at this time certain facts concerning the attendance record of Mr. D'Alton Corry Coleman. Mr. Coleman was elected to the board in March 1929. He attended no meetings in 1929 and 1930 attended one meeting in 1931 and 1932, none in 1933, one in 1934, two in 1935, one in 1936, two in 1937, and one in 1938.

Mr. ECKER. He is a particular instance of those situations to which I have referred where we secure as a director a man not resident in New York but ready to come at any time that we tell him we need his services.

Mr. GESELL. And in the case of William H. Crocker, another of your directors, who died September 25, 1937, during the last 5 years of his service he did not attend any meetings.

Mr. ECKER. No; he was ill, his wife died, and he wasn't in physical shape to travel, but we never had a more valuable man on the board than Will Crocker, who almost daily went to our office on the Pacific

coast. You see we have there a Pacific coast head office that conducts all of the affairs that our home office conducts with the exception of the investment of funds. We have one in Canada of a similar character. There is a man on the coast interested in our business to the extent of making him a frequent visitor at our office there, not attending board meetings—no board meetings are held there—but we never had a more enthusiastic and loyal supporter of the company than Will Crocker.

MR. GESELL. Now article IV, section 4, of the charter which has been put in evidence provides that nine directors shall constitute a quorum.¹ Is that not correct?

MR. ECKER. That is correct.

MR. GESELL. Is it not a fact that your company has held meetings of its board of directors and transacted business without a quorum being present?

MR. ECKER. I recall no instance unless it was sometime some years ago, in which case it was carefully explained to the board at the next meeting at which there was a quorum that they should in approving the minutes of the preceding meeting ratify and confirm the action of that meeting as the action of the meeting when there was a quorum present. Whether that has always been done in just that form I would like to look at the record to determine, but I would suppose it had been.

MR. GESELL. The record you have provided us indicates that at the meeting of August 23, 1927—

MR. ECKER (interposing). Twenty-seven?

MR. GESELL. Yes; August 23, 1927.

MR. ECKER. Twelve years ago?

MR. GESELL. That is correct, I think—that there were six directors present; on February 26, 1929, seven directors present; February 23, 1927, eight. Those would be three instances where a quorum was not on hand. I would like you to provide for us, if I might suggest, Mr. Chairman, at some future convenient time, the minutes of those three meetings and any subsequent action that the board took to ratify or go over the ground of the business transactions at those meetings.

MR. ECKER. May I not call attention to the fact that under the law our committees have full power in matters of transfer of property, matters of investment, or anything that could raise any question as to the validity or authenticity of any act of the company, and doubtless having that in mind the committees acted with full authority and the proper attention was not, perhaps should have been, given with reference to lack of quorum. As far as I can recollect, it has been our practice (and that goes back a dozen years, there is nothing like that noted in the record since I was president of the company), and it is my recollection that at that time it was explained to a subsequent meeting of the board at which there was a quorum that their approval of the minutes would be considered as ratification of the acts at the meeting at which there was not a quorum present.

I remember—may I add one more word? The matter comes back to me, and my mentioning it to Mr. Fiske, who was President of the company, that perhaps we should adopt a resolution which in substance would provide that the minutes of a meeting at which there

¹ See "Exhibit No. 238", appendix, p. 1530, at p. 1273.

was not a quorum present would be presented for approval and the acts of that meeting ratified and confirmed. He expressed the opinion to me as a lawyer that it wasn't necessary.

Mr. GESELL. Now, Mr. Ecker, you have also referred to the case of Mr. Taschereau. Mr. Taschereau is at present a director, is he not, but is not up for renomination on the administration ticket? Is that not correct?

Mr. ECKER. That is correct; yes.

Mr. GESELL. He is now a director.

Mr. ECKER. He is now a director, and he is not up for election on the ticket.

Mr. GESELL. Mr. Taschereau was elected in 1922 to the board, was he not?

Mr. ECKER. If that is the record; yes. I don't pretend to remember the date. I know it was back there sometime ago.

Mr. GESELL. Now let me ask you whether it is not a fact that Mr. Taschereau has never attended a single meeting of the board of directors since he joined the board.

Mr. ECKER. I believe I said that, Mr. Chairman.

The CHAIRMAN. He is a Canadian?

Mr. ECKER. Yes.

Mr. GESELL. Was that fact ever called to the attention of the policyholders on the many occasions when his name was resubmitted to them on the administration ticket for approval?

Mr. ECKER. Are you perfectly serious about asking me about calling the attention to an incident of that nature to 29 millions of policyholders? How can they do it?

Mr. GESELL. My question was, did you ever call it to their attention?

Mr. ECKER. I am trying to think how I could possibly have done it.

Mr. GESELL. His name was submitted to the policyholders on many occasions on the administration ticket as a valuable director for the company to have to represent the policyholders' interests, and the fact of his nonparticipation in the affairs of the company were not called to his attention, is that a fact?

Mr. ECKER. It is a fact that the administration ticket was submitted to the policyholders. Comments are not made on the services rendered by the individual directors in the way of advice to policyholders. I know of no occasion that that has been done.

Mr. GESELL. On April 20, 1938, you wrote Mr. Taschereau partly as follows. After advising him that it was necessary to prepare the new administration ticket, you said [reading from "Exhibit No. 241"]:

I hardly need tell you how much we have valued the inclusion of your distinguished name in the list of our directors. You have honored the company by being one of its directors for the past 16 years. We have had much satisfaction in the feeling of your interest in the company and its activities.

It has transpired, however, that you have been unable to attend the meetings of the board and I am afraid that is a situation which should not be permitted to continue. I assume that you are not likely to find it convenient to attend such meetings in the future and I am, therefore, wondering whether at this time you would like to consider whether the board should renominate you.

Now, why did this question come up with Mr. Taschereau some 16 years after he had been elected? Would it not have been more in the interest of the policyholders to have brought this matter up with him much sooner than after this 16-year period?

Mr. ECKER. It seems to me that is like asking if it wouldn't have been better to invest money in something other than a particular transaction in which we had suffered loss. I believe Mr. Taschereau did render a valuable service to the policholders, although his record of attendance was nil.

Mr. GESELL. Do I understand the record of attendance becomes important only after a period of 16 years of nonattendance at the meetings?

Mr. ECKER. I don't know whether that is a serious question or not.

Senator KING. Too didactic.

Representative REECE. Mr. Chairman, I probably shouldn't say anything, but I hardly think it is proper for the witness to make suggestion as to whether the question is serious or not.

Mr. ECKER. Mr. Chairman, if I have transgressed, I am sorry. I am just thinking that here is a great institution that has been carried on with quite amazing success, as has been testified here. It has received the endorsement certainly of the public to the extent of the large number of policyholders that come within the fold. Their method of management has been successful so far as I have any idea that it would be possible to make it successful. I know of no charges of abuse or misconduct.

The CHAIRMAN. How many policyholders do you have in Canada, do you recall?

Mr. ECKER. Probably about 6 percent in round figures. Mr. Bassford, would that be right, about 6 percent of our policyholders?

Mr. BASSFORD. About right.

Mr. ECKER. It would be somewhere around 2,000,000.

The CHAIRMAN. And I assume as a gesture toward the Canadian policyholders you felt for a long time it was wise to have some prominent Canadian on your board.

Mr. ECKER. That is exactly what I meant. That seemed so obvious.

Mr. GESELL. I think that matter is fully covered in Mr. Taschereau's letter that I am about to read into the record, dated April 27, 1938. Mr. Taschereau wrote this letter in which he acknowledges receipt of his previous letter and says [reading from exhibit No. 242]:

Some years ago, while in New York, I was approached by the then president of the company, Mr. Haley Fiske and was asked by him to join the board. Mr. Fiske told me that, on account of his Canadian business and especially of the French Canadian clients of the Metropolitan Life he wished to add on the board the name of a well-known French Canadian. I was then the Prime Minister of the Province of Quebec.

It was distinctly understood at the time that, as I was a very busy man, I could not attend the meetings of the board, and I accepted the honor offered to me under this distinct condition which Mr. Fiske told me he fully understood. Needless to say that I was not invited for the services that I could render to a board composed of so distinguished men.

Is it customary, Mr. Ecker, to approach men with respect to their coming on the board of directors and enter into understandings such as is indicated in this latter?

Mr. ECKER. I can only speak for myself. I have not, and I know of none, but I should say that the present administration has sought to get men of the caliber I referred to, and at the same time we felt it important to get new blood in our board of younger people, and you will see that some of the later additions to the board are not men of the years that some of the others were. In a sense, that was

getting an average, too. Some of our men who had been there a long time and served the company faithfully were getting along in years and it seemed unnecessary under the circumstances to ask them to withdraw, and we have been filling our vacancies with men of younger years.

You can see from my correspondence that we had in mind that it was undesirable for Mr. Taschereau to continue, no matter what his understanding was at the time. I did not know about that understanding until he called it to my attention. I wasn't at all surprised about it because it is something that came about in an administration of other years. Conditions are changing and we are seeking to keep abreast of the time, even in the matter of selecting our directors.

Mr. GESELL. I would like to offer for the record the two letters, portions of which I have just read.

The CHAIRMAN. They may be received.

(The letters referred to were marked "Exhibits Nos. 241 and 242" and are included in the appendix on p. 1540.)

Mr. GESELL. Can you tell me, Mr. Ecker, what services Mr. Taschereau performed?

Mr. ECKER. Specifically, no. I can tell you that he did stand very high in the community. His acting as a director of the company was an endorsement of the company, and in Canada I know that means a good deal among the French Canadians. They have high respect for men in public life and there couldn't be anything about a company that wasn't entitled to their respect if Mr. Taschereau was a director.

In addition to that, I can't give you specific cases, but I haven't the slightest doubt that our people in Canada consulted and talked with Mr. Taschereau about matters that had to do with the management of the company's affairs.

Senator KING. Do you have a local office there?

Mr. ECKER. Oh, yes, we have a head office, just as we have on the Pacific coast. We have a head office in Ottawa, opposite the parliament buildings, a very fine building for our purposes. We have a large staff up there. About 10 percent of all our business is received in Canada. We have a large number of employees in that office.

Mr. GESELL. May I ask you with respect to all these instances which we have reviewed whether any effort was made to acquaint the policyholders as the names were put up again and again for renomination and election of the degree to which these particular directors had attended the meetings of the board of directors, and participated through that means in the affairs of the company?

Mr. ECKER. Would it be lacking in courtesy or out of place for me to say that I can only think of that as my saying to the policyholders in some formal communication that the men who had been nominated on the administration ticket were in any respect unfit to serve. I can't conceive of that as possible, and again it seems to me that is so obvious that it isn't a suitable question. Of course, I didn't. Our action with policyholders consisted in advising them of the men who had been nominated.

Mr. GESELL. My question was somewhat prompted by a letter directed to Mr. Lincoln on March 18, 1935, by John H. Almy, super-

intendent of agencies of your Pacific coast head office, in which he states [reading from "Exhibit No. 243"]:

It has come to my attention that an unusual interest has been developed in the field in the matter of getting policyholders to vote for directors. On several occasions the agents have told me that policyholders are asking many questions about the various directors whose names appear on the ballot. Managers also tell me that their agents are making inquiry and asking for information about the directors. People want to know who they are, what position in public and private life they hold, as well as where they have their business location.

I pass this information along for what value it may be to you, but it does occur to me that it would be a nice thing if our entire field force would have some knowledge of each of our directors in order that they would be in a position to answer such direct questions.

Coming from a person like Mr. Almy, did not that letter suggest to you and your fellow officers the necessity of bringing more information concerning the directorships to the policyholders?

MR. ECKER. I believe that our directors are all men who are very well known, and we have not followed the practice (in our judgment we thought it unnecessary) of some other companies which have published a photograph of all of their directors. Someone laughed at it and called it a rogues' gallery, and it was just a question of judgment of what is necessary. The man we have selected on the coast, where that came from, was one of the most prominent citizens there. It wasn't necessary to tell our field force anything about William H. Crocker. A suggestion of that kind would be considered in the light of the circumstances and its application.

MR. GESELL. After the receipt of this letter——

MR. ECKER (interposing). May I just say to you that our directors are not, if you look at the list of them, men who would not have their own judgment about matters that have to do with the conduct of the affairs. Sometimes people use the term, "rubber stamps." I don't know any man on our board that might be said to be a rubber stamp.

MR. GESELL. The specific question, Mr. Ecker, is whether or not anything was done by the management of the Metropolitan when this letter came to their attention to give more information concerning the directors to the policyholders. That is the question I have in mind.

MR. ECKER. Was that a question from the policyholders? It was a question from one of our men in the field who made a suggestion. We welcome suggestions from our employees all the time, whether it be a messenger or whether it be an agent or a manager or what-not, and everything that comes to us from anyone in our organization receives consideration, and I say that received consideration.

MR. GESELL. Was anything done about it?

MR. ECKER. I don't know. By saying, "Was anything done?" did we then put out the information that was there suggested to all of our policyholders? I have no recollection of doing it, but it was considered and the course of action adopted was a considered course.

MR. GESELL. I was somewhat troubled in this connection by a portion of Mr. Lincoln's reply, in which he says that he was somewhat at a loss to explain the special interest indicated by this letter, because no similar reports had been received from other territories: Does that mean that you do not expect the policyholders to have an interest in matters such as were called to your attention here?

MR. ECKER. It doesn't mean that at all. If I may be permitted to explain Mr. Lincoln's letter, it means that we seek to do the thing that seems to us best adapted to all of the situations, and here is one

particular location from which that particular inquiry came. We have 10 other locations from which no similar inquiry came. Could we therefore consider that the one instance made an indication of the desire of the majority? Nothing else could I understand in that letter but just that thing. If this were something that frequently came to us, certainly we would be doing it. This was a single instance, and evidently it was Mr. Lincoln's view that that didn't indicate or evidence the view of a sufficient number to have it made a general practice.

Mr. GESELL. I would like to offer this correspondence for the record.

The CHAIRMAN. Without objection, it is received.

(The correspondence referred to was marked "Exhibit No. 243" and is included in the appendix on p. 1541.)

The CHAIRMAN. Did I understand there were no other letters of this character?

Mr. ECKER. Mr. Lincoln says so. He says in the letter there were no others.

The CHAIRMAN. That is your experience too?

Mr. ECKER. We have never had any case just like that, any other instance. The volume of our files accumulates correspondence by the truckload weekly, and it is interesting to note the little correspondence we have from the policyholder and how rare it is for him to write at all; and then I can't recall an instance where there was a policyholder's complaint of the management of the company. The correspondence with policyholders has been almost entirely confined to complaint on a particular policy—he didn't get the dividend he looked for, he didn't understand why, having a disability clause in his policy, he had a less dividend on one policy than the one he received on one in which there wasn't this disability provision—things of that kind.

And then an important thing is that upward of 40 percent of any business is written upon the lives of people who are already insured—old business of the company, as it were. That is an endorsement of the policyholders' view of the management of the company.

Mr. GESELL. Are these directors policyholders?

Mr. ECKER. They may or may not be. They are not required to be by law.

Mr. GESELL. I asked you whether they were or not. Do you know at all, Mr. Ecker, about that?

Mr. ECKER. I know that some are. I do not know whether they all are.

Mr. GESELL. I take it, then, that isn't a factor considered in the selection of the directors?

Mr. ECKER. It has never been in my mind.

The CHAIRMAN. It is not required by the statute?

Mr. ECKER. No, sir. There was a time when our charter required it, when it was a stock company—that they either held stock or policies of life insurance or annuity contracts. That is not a present provision of either the charter or the State law.

Mr. GESELL. Has it occurred that on some occasions directors have been nominated and elected to the board without their approval or consent?

Mr. ECKER. I don't recall any instance where they were elected to the board without approval or consent. They were nominated and afterward we found that we were unable to get their consent to serve.

Another thing I might have touched on in this selection of directors, having made your searching inquiry and weighing the qualification of the man to serve as a director, you then have to get him to serve, and it not infrequently happens that it is becoming difficult to get men. It not only frequently happens we can't get consent, but it becomes increasingly difficult to get men of the type we have been searching for to serve as directors.

Mr. GESELL. Have the majority of the directors selected in recent years been chosen by the executive officers of the company?

Mr. ECKER. They have never been chosen by the executive officers of the company. They have often been suggested by the executive officers, but they are chosen after discussion with other members of the board.

I do not know any instance in which the action was solely that of one executive officer.

Mr. GESELL. No; the board must meet and approve the nomination of every man.

Mr. ECKER. I mean more than that. The selection of directors, we feel, is of so much importance that it is a matter of conversation and discussion and consideration. Then, of course, under our bylaws, after the nomination is made it must lie over for 4 weeks before it is acted upon, which gives ample opportunity for notice to every member of the board, and for discussion; and then I have in mind, and I ask you to please have in mind, that we send a copy of our minutes to any absent director so that he knows.

Mr. GESELL. We have concluded the presentation of the facts with respect to this particular matter. If anyone on the committee has any general questions, Mr. Chairman, concerning it that they would like to ask, this would be a good time.

The CHAIRMAN. Do any members of the committee desire to pursue this matter?

Senator KING. I suppose, Mr. Ecker, you make your reports as required by statute to the insurance organization of New York?

Mr. ECKER. Yes.

Senator KING. And they have a superintendent of insurance.

Mr. ECKER. A superintendent of insurance; yes.

Senator KING. And do they examine your books and accounts?

Mr. ECKER. They are required by law to examine us every third year and the task is so considerable I testified yesterday, that it takes a year and a half for their examiners to complete an examination, so they are really with us about half the time, and they are very thorough, very efficient and careful in their examination.

Of course, we report to all of the States in the Union. They all have the right to examine us if they choose, but there has grown up a practice lately that other States will join with the State of New York, so it isn't only New York State that makes the examination.

Senator KING. So your accounts and business transactions, the meetings of the board, indeed everything that your organization does, is open to inspection and examination by the insurance department of New York, and by other States if they desire, and, as you indicate, they frequently join with the State of New York and collaborate in making investigations required by law.

Mr. ECKER. Just right, Senator, and in addition to that we send copies of the minutes referred to so often to the superintendent of insurance so he can keep in close touch.

I spoke yesterday of the instance——

Senator KING (interposing). I don't want you to repeat. I wasn't here.

Mr. ECKER. I spoke yesterday of the instance of policyholder control; that was a control that was of value to the policyholder in conjunction with the careful and critical regulation of a department that examines every transaction of the company, that is, insurance department, where if there be any abuse or anything that should be called to the attention of the policyholder, it would inevitably be made public, and then the policyholder would exercise his franchise and elect a board of directors to correct any evil or abuse that had grown up in the management.

Mr. ARNOLD. I understood that one of the considerations in your urging Mr. Schwab to stay was a sort of reward for past services.

Mr. ECKER. Oh, no; not a reward for past services, no; a recognition of his valuable service in the past and our hope to continue him on the board. May I add this: Service as a director is like service in any other line. If you had a man a good while, he knows more about the business and with less time can render more valuable service than one who has never been a director and has to learn the business; and when we have a valuable old Director on the Board—just because he is ill, it seemed a decent thing to keep him there, for his sake, and a worth-while thing for the company.

We had one director who got quite ill, so ill he was mentally incapacitated, and I had some conversations—I said I had because I represented the board—with his son that it was undesirable for him to stay on the board, and his son finally wrote the letter. That correspondence hasn't been presented. I didn't know but what the examiner might refer to it. The son said his father was unable to perform the duties, and therefore felt that he should retire, and if you read the record only it looks as if that were originated by the son. It wasn't. It was originated by us, and that was his way of putting it.

Mr. ARNOLD. I wasn't asking the question in a critical way, but simply to find out the various considerations. I am not meaning to be critical when I repeat that one of the considerations, then, is a decent treatment and recognition of past services, and take out the question of reward, omit that.

Mr. ECKER. Well, having called on his services at all times and as an experienced director of the company——

Mr. DOUGLAS (interposing). But this does suggest, at least, Mr. Ecker, what the real function of a director is or should be. You have, I gather from these statistics, a majority of the board who are fairly active. As I recall, there was an average of about 15.

Mr. ECKER. Fifteen or sixteen or seventeen there; yes.

Mr. DOUGLAS. But there has been a substantial minority who have been rather inactive.

Mr. ECKER. And the attendance is almost 100 percent attendance of the active ones, maybe not 100 but a very good percentage of those that you would call active.

Mr. DOUGLAS. You have a majority of a working board, and you have a minority of—would it be unfair to characterize it as an honorary board?

Mr. ECKER. No; that would be unfair because all are the same, but it is recognized that some could not be as active as others.

Mr. DOUGLAS. In the actual performance of director's functions?

Mr. ECKER. The functions depend on circumstance. It wouldn't apply to all of them. There was a man on the Pacific coast who couldn't attend a meeting here for 4 or 5 years, but frequently visited our head office there and was close to the business and rendering service to the company. I see that you are agreeing with me that it should be recognized that some men may be selected for services that are not where they are expected to attend weekly meetings and meetings of the committees.

Mr. DOUGLAS. I wasn't suggesting that that was a proper role for directors.

Mr. ECKER. Not proper, but it couldn't be avoided.

Mr. DOUGLAS. Has your company, for example, ever considered the idea of paid directors?

Mr. ECKER. On salaries, as the English practice, you mean?

Mr. DOUGLAS. Yes.

Mr. ECKER. We have talked about it, yes.

Mr. DOUGLAS. You never did anything about it?

Mr. ECKER. We never did anything of that sort. That would mean to have men there all the time, and I just wonder whether a director in daily attendance is any different from a vice president or president in daily attendance. Isn't it the same thing?

Mr. DOUGLAS. We all know instances in corporation history of this country—I am not speaking now about Metropolitan—where directors have been chosen merely for window dressing. That has not been an unusual practice.

Mr. ECKER. Maybe those were the rubber stamps you referred to. We haven't any.

Mr. DOUGLAS. It is not necessarily to be classified with rubber-stamp directors or dummy directors, but a man whose name is a prominent name and who carries prestige and influence. I take it that has at times been a consideration in the selection of the administration ticket by the Metropolitan.

Mr. ECKER. Not deliberately, expecting they wouldn't render any other service than that performed by having their name in the window, no; but it just works out that way. It isn't possible to get men of the type I am speaking of—24 or 25 working directors—and it is becoming increasingly difficult to get any directors who could qualify as a director of a great insurance company.

Mr. DOUGLAS. I know some corporation officials who are seriously thinking of reducing the size of their board, making them into more workable, compact units. Have you considered that?

Mr. ECKER. Some of the banks have done that. We have not given consideration to that; no. It would necessitate a change in the charter; that is simple enough, but if a majority of the board must be residents of the State of New York, we have a factor to give serious consideration thereto, don't you see. There is always the question of whether it is better to have a board of representative men located in different sections of the country. We think that is of value to us, and if we lose that, then we might come back to having all of our directors, or much more than a majority of them, residents in New York.

Mr. DOUGLAS. Is it your philosophy that the constitution of the board should take into consideration having on the board as members a minority who will bring the company some prestige but who cannot be expected to participate in the deliberations of the management?

Mr. ECKER. Mr. Douglas, I feel that is applicable to everyone, that we have no one on the board who doesn't bring prestige to the company, not one. There is no one selected to be just, should I say, an active, clerical working director who doesn't measure up in every respect to the standard I have spoken of.

Mr. DOUGLAS. Except a minority who do not attend and participate in the deliberations where policies are formulated.

Mr. ECKER. No; I except none. I recognize in the natural course of things we cannot get 25 men, particularly if some of them are residents away from New York, to give all the attention that must be given to the transactions which are handled by committees. I tried to make that differentiation, that the detail work is done by committees. For that purpose we have established what I call the working members of the board, but those men in our estimation are of the same character with respect to standing, reputation, and integrity as all others.

Mr. DOUGLAS. I am not questioning that. I am just thinking of the traditional function that directors are supposed to perform, and whether or not directors who do not direct actually have any place in a position of management.

Mr. ECKER. I feel that our men do direct and when they are not attending meetings, they get the fullest information from the minutes that are sent to them and there isn't any part of the company's operations they are not informed on. I feel they direct. We haven't any men who do not direct.

Mr. DOUGLAS. Even though they do not actually deliberate in the formulation of policy?

Mr. ECKER. Even though they may not attend all meetings.

Mr. DOUGLAS. But the meeting place is the point where effective direction of policy can be had, and only that, isn't it?

Mr. ECKER. Yes; that is true, but when they are informed of the transactions of the company, they are men who read those minutes and if there is anything there that should call for comments, I feel they would make it just the same as they would make it in our board meetings.

Now our board meetings necessarily record actions that are taken by motion. There isn't the record there of the free discussion and free conversation that goes on with respect to many of the transactions. It may be policy of the company, it may be a question of dividends, it may be a question of investment of one type or another, but the only record that will appear there when you look at it is that upon motion, such and such action was taken.

Mr. ARNOLD. Am I correct in coming to the conclusion that for the various reasons which you have stated, you have roughly two classes of directors, some who are expected to attend meetings and some who are not?

Mr. ECKER. I wouldn't say that for a moment. When elected, we expect them all to attend meetings. You have a sort of desideratum over years, but a few men have been ill, one man says, "I was never expected to attend"—that wasn't an agreement made with me and that is an outstanding exception—and just going along with the natural course of business, it transpires after a while that those that may have expected to attend find they can't, or those who did attend

regularly find they are no longer able to do so. You are dealing with 24 men.

Mr. ARNOLD. I wasn't speaking of agreements made in advance, but it seemed to me that in the light of this correspondence the directors did somewhat automatically fall into those two classes.

Mr. ECKER. In the natural order of things, yes; but they weren't selected to be so classified.

Mr. ARNOLD. Granted that, but those two types of directors do become somewhat crystallized, those you and the board think are very valuable whether they attend meetings or not, and those who are expected to attend meetings.

Mr. ECKER. Except, of course, you have an instance of one man that wasn't attending, where we felt that it wasn't right for him to continue and we took up the matter in his case.

Mr. ARNOLD. I take it you felt that maybe he was not performing the services.

Mr. ECKER. We felt under the changed conditions he should recognize an obligation to come to meetings.

The CHAIRMAN. You have had a long experience with the activities of directors of various corporations, Mr. Ecker?

Mr. ECKER. Yes, I have.

The CHAIRMAN. Would you care to express an opinion to this committee as to the degree to which directors, as a rule, of the large corporations attend actively to the duties or to the functions of the office?

Mr. ECKER. As a general thing I should think the companies I have had opportunity to observe show about the same record as our own. Where there was a large board; there are a few that are very regular in their attendance; there are some that are irregular.

The CHAIRMAN. But it is becoming increasingly difficult, is it not, to get the attendance of directors?

Mr. ECKER. Yes; it is; and as I have said, increasingly difficult to get directors, to get men to serve as directors.

The CHAIRMAN. To what do you attribute that difficulty?

Mr. ECKER. The difficulty in attending simply means occupation and that they are so much engrossed in other things they are unable to get there because they are men of affairs and prominent in their business.

Now, as to the difficulty of getting people to serve on boards, it is much of the same character. I think that men that serve on boards of directors are becoming more sensitive to their obligations, and it means a greater sacrifice. It is a better understanding of what the nature of the business is.

The CHAIRMAN. My question has nothing to do particularly with Metropolitan. There is no sense of criticism at all.

Mr. ECKER. I am trying to think of it—

The CHAIRMAN (interposing). I am aware of the fact, as I am sure everybody who is studying this problem is aware of it, that during several years past there has been an increasing amount of thought about paid directors, as Chairman Douglas suggested, and discussion of that method was particularly active—if that is a proper word—immediately after the McKesson & Robbins affair, and I was wondering what your opinion would be, with all your experience, with respect to the value of such procedure.

Mr. ECKER. I have expressed it. As I said to Mr. Douglas, I don't see the difference between a director who is paid for full time and a vice president or a president who are charged with the same responsibility.

The CHAIRMAN. What do you consider to be the function of a director, then?

Mr. ECKER. It is first independent judgment in the conduct of the affairs of the company. It is an opportunity to get the composite opinion of a body of representative men in matters that have to do with the policy in connection with the conduct of the affairs of the company. Then in individual cases these are all men of experience in business and you get the advantage of the wisdom that comes from the counsel of several instead of one or two. And then there is always great value, as I see it, in an outside point of view. A fellow that is right close to his proposition, working right close to it, doesn't always get the perspective that gives him as good a view.

Mr. DOUGLAS. You could get that with your paid director, couldn't you, because the fact that the man was more active than men who are around once a month wouldn't mean he was performing the same functions as a president. He would be merely supervising rather than paying close attention to details.

Mr. ECKER. If he were a paid director, he would be there every day.

Mr. DOUGLAS. Not necessarily.

Mr. ECKER. I was thinking of a paid director who was there all the time. Our company is so big that we have necessarily made divisions of the activities of the company, and a man to know all, unless he has grown up with it, would have to spend his time in one department or another. He couldn't have it all. As a director, he can get the reports and the advice from the officers of what is transpiring and then form judgment. Now a paid director could only do the same thing, couldn't he?

Mr. DOUGLAS. On the basis of that comment, I judge in view of the magnitude of the enterprise, of a corporation such as yours, Mr. Ecker, that a director who isn't fairly close, fairly intimately acquainted with the details of the business, can at these monthly meetings, which can't last very long, give only the most superficial supervision.

Mr. ECKER. He can't possibly pass on the thousands of individual transactions, but he does pass his judgment upon the trustworthiness of the men who are doing the work, and it seems to me—

Mr. DOUGLAS (interposing). He could do that much better if he were closer to the supervision of the organization.

Mr. ECKER. I don't see any difference between the man who is there every day and the officer employed to do the same thing.

Mr. DOUGLAS. It depends on what his functions are—whether functions of supervision or functions of direct management.

Mr. ECKER. That is about all. I wonder whether there is any difference between the man paid to be there all the time as a director and the man paid to be there as an officer.

The CHAIRMAN. It comes down to the question of what is to be expected of a director. If a director is expected to be an executive officer, then he must, of course, devote a great deal more time to the work of the company than if he is expected to be only an observer and pass upon the work of the active executive officers. In almost any

sort of an organization, I assume, and even in the Government, the executive officers develop the policy, and then they lay the policy before some other body which is to pass upon it. In the parliamentary system of government abroad, in Great Britain, the Prime Minister and his Cabinet will devise a policy and they will bring it into the Parliament and the Parliament will approve or disapprove. It will ordinarily approve without very much consideration unless it happens to be a question of such moment that a political division is held, and then, if it disapproves, the executive force changes.

Now I assume from what you have testified this morning that you conceive the function of a board of directors to be rather this supervisory, observing character than actual participation in the affairs of the company. Am I correct in that?

Mr. ECKER. That is true. Under the law certain actual, specific things are required. We can't pay any person or corporation more than \$5,000 in 1 year without the authority of the board. What is the nature of that service? Should we approve of it? That is something more than just looking in.

Then with respect to certain investments we must have the authority of the board or the authority of a committee appointed to supervise the action of that particular transaction. Take our investment service; if you look at it for a moment, it is a big company. We have specialists in every department. We have specialists in municipal bonds, in railroad bonds, in public utilities, in general corporations; in investment in real estate we have specialists in types of buildings, dwellings, small dwellings, apartment dwellings, office buildings, and so forth, and then we have specialists in different sections of the country again for those subdivisions. Now there—

The CHAIRMAN (interposing). And all this contributes to the condition which you described a moment ago, as the result of which it is becoming more and more difficult to persuade men of large affairs to serve as members of the board, because they don't find the time to look actively and directly into these various matters.

Mr. ECKER. To accept the responsibility.

In addition to that our company does a great deal of welfare work. I don't know whether you would like me to take a few minutes to describe the nature of that.

Mr. DOUGLAS. I was just about to ask you, Mr. Ecker—I am not sure that the idea would be adaptable—whether or not there had ever been discussed the possibility of so-called public directors, which some corporations have discussed.

Mr. ECKER. Yes; in a New Jersey life-insurance company there are three appointed by the chancellor. It is a question asked by the present committee of the State legislature engaged in revising the insurance laws, and we said in response to that that we would see no objection to having added to our board one, two, or three men appointed from some source like the Court of Appeals or some body that you would feel sure wasn't of a political character. That we would welcome. Frankly, as far as I see it, it isn't possible for a director to render the service that is rendered by the examiners of the insurance department and to go into every detail of the operations of the company.

Mr. DOUGLAS. That leads to one more question.

Mr. ECKER. Just to finish that, Mr. Douglas, it does put the responsibility to some extent on these directors who come in here as public

directors and may perhaps to some extent reduce the responsibility of the directors as now chosen.

Mr. DOUGLAS. The other additional question that I had in mind was an indication from something you said in your testimony. In view of the extent of the supervision of the State that perhaps that supervision has usurped (perhaps that is the wrong word) taken away from, the normal functions of directors.

Mr. ECKER. No, no, no; on the contrary it has put the directors more on their toes. I think it has had the opposite effect. Of course this business of ours is a service business. It is based on public confidence. That is why we feel it is so important not to disturb the confidence of the policyholders which might result in their doing things to their own disadvantage, canceling their policies, getting policy loans or taking cash surrender values, things that are not in their interest. Anything that tends to disturb the policyholder we would regard as a disservice.

Now our business has been going on all these years since this Armstrong investigation which has been referred to, with no scandal, no abuse during this entire period, and that would seem to be the best justification for the management and for the manner in which the management carried on. You talk about election of directors. Is there any better way? Mr. Hughes couldn't think of any. I have known of some instances where lawyers have said, "I don't think that is a good practice." Can you tell us of any better practice? Go out and devise something; we will welcome you with open arms, if there is anything better.

Mr. DOUGLAS. I was rather timidly suggesting paid directors.

Mr. ECKER. Well, in studying it, Professor Patterson—is that his name?

Mr. O'BRIAN. Patterson of Columbia.

Mr. ECKER. He was specially charged with devising a better plan, and I understand has given it up. Your idea would be to have paid directors?

Mr. DOUGLAS. I was suggesting it for discussion, Mr. Ecker.

Mr. ECKER. Working full time instead of directors of the nature we have now? How would you choose them?

Mr. DOUGLAS. It has application to the corporate field, whether to the insurance field is something to consider.

The CHAIRMAN. I don't understand that Chairman Douglas is advocating that necessarily.

Mr. DOUGLAS. Not necessarily; it is for discussion.

Mr. ECKER. Mr. Douglas, if you had paid directors how would you choose them?

Mr. DOUGLAS. Well, I think that theoretically the selection by policyholders is a very sound system. I just wonder as to the vitality of the system when we find in the large corporations a clear self-perpetuation.

Mr. ECKER. The only answer to it is that we have been working on this the last 33 years; there hasn't been any scandal, we have made progress, the company has grown. That is an indication of public confidence. Sometime maybe you would like to have a fuller statement with respect to our welfare activities. Our selecting of directors has to do with that; men who have to do with these matters. We have one man now as a director with whom our first acquaintance was

made because of his interest in a diphtheria campaign in the State of New York. We had much to do with the development of the use of the serum for immunity against diphtheria and for treatment of diphtheria after the disease had developed.

Mr. DOUGLAS. I think it might be desirable, Mr. Chairman, if Mr. Ecker submitted such a statement for the record of their welfare work.¹

Mr. ECKER. I was going to say that just that one instance has led to such a tremendous improvement that we have cities in the State of New York in which there hasn't been a single death from diphtheria in a year.

The CHAIRMAN. I will say, Mr. Ecker, that I have read a good many of the advertisements of the Metropolitan Life Insurance Co. with respect to health advice, and I assume that probably these activities have contributed somewhat to extending the period of longevity of which we talk so much in recent years.

Mr. ECKER. From forty-odd years up to 60 or 61.

The CHAIRMAN. And in that connection may I just ask this question without any implications or inferences at all? Have the studies of insurance companies with respect to health and the welfare work and all of the efforts which have been made to prolong human life been reflected in the mortality tables?

Mr. ECKER. Very definitely.

The CHAIRMAN. Have the rates been affected?

Mr. ECKER. The comparison would come in the improvement in the registration area and the improvement among policyholders in the same period. There is a surprising amount of evidence of improvement of mortality of policyholders which might be traced in part to public health agencies and to the activities of the company for its policyholders. You see what we do for them. In the industrial department we nurse them. Last year we made visits to the number of, let me see, 3,716,090 policyholders.

The CHAIRMAN. Is that reflected in the rates which the policyholders pay?

Mr. ECKER. It is a part of the cost of the business, and it is a question which you might ask, whether it is worth while. The results would indicate very strongly that it is much worth while, and that is the comment that has been made by the commission of the State legislature that has been studying it. Curiously enough, I think some of them said it is worth while, but we should spend half as much money, but they haven't told us which half of the policyholders to nurse and which half not to.

Mr. GESELL. The time is coming to a close and I have just three additional questions.

May I ask whether any inquiry is made before directors are selected, nominated, or appointed to the board, as to their knowledge in life insurance as such?

Mr. ECKER. Specifically no; it might be an incident that some might have; a lawyer might have some particular knowledge of his practice.

Mr. GESELL. How many of the directors of your company are also officers of the company?

Mr. ECKER. Only three. There would be only two except that we don't pay the chairman of the board.

Mr. GESELL. You are an executive officer, are you not?

¹ The statement will appear in a later volume.

Mr. ECKER. Oh yes, I am an executive officer under the bylaws, but before that office was fixed by the board we had only the president and the vice president. Now it is the chairman of the board, the president, and vice president.

Mr. GESELL. Do you feel that the board is handicapped by not having its members in regular attendance, certain of its members?

Mr. ECKER. I haven't felt so, for the reason that I have explained to you, that we have had no trouble in having a quorum for the conduct of the business, and our committees we have no trouble about at all.

The CHAIRMAN. Any other questions, Mr. Gesell?

Mr. GESELL. No, sir.

The CHAIRMAN. Are there any questions by any members of the committee?

Dr. LUBIN. If I might ask a question, Mr. Ecker. You on several occasions have emphasized the fact that there have been no scandals and no complaints, and I think you have rightly felt proud of that fact.

Mr. ECKER. With all humility I am proud of it. I am not boasting of it, but recording it as a historical fact.

Dr. LUBIN. I think you have a right to be proud of it. As a man who has had many contacts in the field of business and has had occasion to see the activities of various corporations, do you feel that the absence of scandal or complaints is any evidence of the efficiency of operation of any particular company?

Mr. ECKER. Why, I do; putting emphasis on the fact that in our business every detail of operation is so carefully examined by very efficient examiners that if there were anything there it would show up, and the fact that they find nothing, I do think is significant.

Dr. LUBIN. I think it is significant, too, but, as I said, do you think that is a test of efficiency of operation?

Mr. ECKER. My mind goes back to the conditions that obtained preceding the Armstrong report and examination. There were evils, then, in the business that that committee sought to remedy, and I believe they did remedy, but at any rate we have been going on for the last 33 years and if anything in the nature of abuse or crookedness existed in the operation of these companies, I believe it would have come to light, and the fact that it hasn't is an indication to my mind that it isn't there. Some differences in judgment may exist; one man might think a thing might be done one way and some another. Mr. Douglas might look at a balance sheet and read into it an inference that someone else would read as something else, but that is a matter of judgment only; it isn't necessarily criticism. Even Mr. Douglas wouldn't say that his judgment was the last word on any of these questions.

The CHAIRMAN. May I say, Mr. Ecker, that I am not conscious of any inference on the part of any members of the committee, and certainly no information has come from any members of the Securities and Exchange Commission of developing scandals.

Mr. ECKER. If they were there, I would hope they would be brought out.

The CHAIRMAN. The thought has been altogether to make a survey of the economic condition, and may I say that on behalf of the committee, we feel very much indebted to you for your contribution.

I understand there are no more questions.

Mr. GESELL. There are no more questions at this time. It is possible that much later, when we get into problems of investment, we will want Mr. Ecker back.

The CHAIRMAN. You will notify him.

Mr. ECKER. And then you said you might welcome a statement from us on our activities that I have spoken of in connection with welfare, cooperation with the United States and other public health agencies, of which there are various instances.

The CHAIRMAN. Mr. Ecker, we will be very glad indeed to accept that statement from you. Thank you so much.

(The witness, Mr. Ecker, was excused.)

The CHAIRMAN. On the 18th of January, Dr. Jewett, of the American Telephone & Telegraph Co., appeared before this committee to give testimony with respect to patents.¹ Several questions were directed to him with respect to the effect of the cross-licensing agreements upon the use and development and the distribution of a high-powered tube, and Dr. Jewett was given the opportunity to prepare a response to these questions. He didn't have the material with him at the time.

The chairman has now received Dr. Jewett's letter, and I want to enter it formally in the record for publication, to appear in the appendix of the record.

(The communication referred to was marked "Exhibit No. 244" and is included in the appendix of Hearings, Part III, p. 1158.)

The CHAIRMAN. The committee will stand in recess until 2:30 this afternoon.

(Whereupon, at 12:03 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee resumed at 2:40 p. m. on the expiration of the recess.

The CHAIRMAN. The committee will come to order. Mr. Gesell, are you ready to proceed?

Mr. GESELL. I am. The next witness is Mr. Cletis Tully.

The CHAIRMAN. Mr. Tully, do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TULLY. I do.

TESTIMONY OF CLETIS E. TULLY, ASSISTANT SECRETARY, METROPOLITAN LIFE INSURANCE CO., NEW YORK, N. Y.

ELECTION OF DIRECTORS—METROPOLITAN LIFE

Mr. GESELL. Mr. Tully, you are assistant secretary of the Metropolitan Life Insurance Co., are you not?

Mr. TULLY. Right.

Mr. GESELL. As part of your duties are you in charge of the mechanics of conducting the biennial election of directors of that company?

Mr. TULLY. I am.

Mr. GESELL. How long have you been in charge of that phase of the company's activities?

¹ See Hearings, Part III, p. 948 et seq.

Mr. TULLY. Ever since mutualization in 1915.

Mr. GESELL. Section 94 of the New York Act¹ governs the conduct of these elections, does it not?

Mr. TULLY. It does.

Mr. GESELL. That act provides that every policyholder whose insurance has been in force and shall have been in force for at least 1 year shall be entitled to vote at every election?

Mr. TULLY. That is true.

Mr. GESELL. Do you know the number of policyholders who were entitled to vote in the last election of the Metropolitan Life Insurance Co.?

Mr. TULLY. How many were entitled to vote in the last election?

Mr. GESELL. You would have to estimate it I realize.

Mr. TULLY. I would say around 27,000,000.

Mr. GESELL. About 27,000,000 policyholders were entitled to vote. The election in the Metropolitan is held every 2 years, is it not?

Mr. TULLY. Correct.

Mr. GESELL. The policyholder can vote in person, by proxy, or by mail?

Mr. TULLY. Right.

Mr. GESELL. If someone wishes to put an independent slate before the policyholders, they must petition the Insurance Commissioner for a list of policyholders and must make their nomination within a specified time?

Mr. TULLY. Correct.

Mr. GESELL. Within what time must that nomination be made?

Mr. TULLY. Five months of the day of election.

The CHAIRMAN. I didn't get the answer.

Mr. TULLY. Five months before the day of election.

Mr. GESELL. And if no independent nomination has been made after a specified time, the election is conducted under the supervision of the insurance department, is it not?

Mr. TULLY. Correct.

Senator KING. All of this is done pursuant to statute?

Mr. GESELL. That's right. The statute is in.

Senator KING. Within what specified time must an independent nomination be made?

Mr. TULLY. It must be made 5 months before the election.

Mr. GESELL. The elections of the Metropolitan are usually held in April?

Mr. TULLY. April; the second Tuesday in April of every odd year.

Mr. GESELL. Has there ever been, since mutualization, a contested election in the Metropolitan?

Mr. TULLY. No, sir.

Mr. GESELL. It is not a fact that your procedure following your determination that there is to be no independent nomination is to write to the insurance commissioner, asking permission for the establishment of certain rules with respect to the conduct of the election?

Mr. TULLY. That is correct.

Mr. GESELL. You ask him, do you not, to waive the provision for mailing individual ballots and proxies to each policyholder?

Mr. TULLY. Correct.

¹ See "Exhibit No. 232", appendix, p. 1522.

Mr. GESELL. You also ask him to waive the system which the statute sets up for checking in safe custody of the ballots and proxies received?

Mr. TULLY. Correct.

Mr. GESELL. You get permission to open the ballots and proxies before the election date?

Mr. TULLY. Correct.

Mr. GESELL. You also obtain permission from the insurance commissioner which enables the agents and representatives of the company to solicit the policyholders, urging them to vote, and so forth?

Mr. TULLY. That is correct.

Mr. GESELL. In the last election can you tell me how many votes were cast in person, how many by mail, and how many by proxies?

Mr. TULLY. The last election?

Mr. GESELL. That would be the election held in April of 1937, would it not?

Mr. TULLY. Yes.

Senator KING. Would voters have to go to New York to vote in person?

Mr. TULLY. Yes, sir. In person the number of votes cast for each candidate numbered 40; by proxy, 24,068; by mail, the vote varied slightly.

Mr. GESELL. Approximately 414,000 votes?

Mr. TULLY. That is true. The total in person, by proxy and by mail varied from four hundred thirty-seven thousand, six hundred sixty-three to 438,575.

Mr. GESELL. Does this memorandum which I show you contain a record of the voting which was submitted by you to the chairman and also a comparison with the voting of previous years?

Mr. TULLY. Yes, sir.

Mr. GESELL. I notice that on the tab attached you state [reading from "Exhibit No. 245"]:

"In person" votes all came from H. O. employees.

Do you mean home-office employees?

Mr. TULLY. Home-office employees.

Mr. GESELL. That means those 40 votes cast in 1937 were all cast by employees of the Metropolitan?

Mr. TULLY. Yes; the president, I think, voted as well as the chairman and three other officers.

Mr. GESELL. What did you mean at the bottom of the tab when you said "No 'outsider' called"?

Mr. TULLY. No policyholders called at the home office to cast a vote in person.

Mr. GESELL. You call the policyholder the outsider?

Mr. TULLY. Yes.

Mr. GESELL. I would like to have this record of voting included in the record.

The CHAIRMAN. Without objection it will be so included.

(The documents referred to were marked "Exhibit No. 245" and are included in the appendix on p. 1541.)

Mr. GESELL. I would also like to offer for the record at this time what I believe to be a complete record of the correspondence between the Metropolitan and the Honorable Louis H. Pink, superintendent of insurance, with respect to the election held in 1937, this correspondence

particularly relating to the creation of rules for that noncontested election.

The CHAIRMAN. Has the witness identified it?

Mr. GESELL. They come from Mr. Tully's office, I believe.

Mr. TULLY. They are correct.

(The correspondence referred to was marked "Exhibit No. 246" and is included in the appendix on p. 1542.)

Senator KING. Does the superintendent of insurance of the State of New York formulate the rules to guide the election?

Mr. TULLY. When there is no independent nomination he has the right to suspend various requirements of section 94; subsection 11 covers that particular point.

Senator KING. That is where there is no contest whatever, no independent ticket, then some of the formalities which may be prescribed by the statute with respect to rules and regulations incident to election may be waived by the superintendent of insurance.

Mr. TULLY. They are waived by the superintendent of insurance.

Senator KING. A mere formality, I would imagine, when there was no ticket in the field except the one, and no contests of any character.

Mr. TULLY. Yes, sir.

Senator KING. That does not in any way militate, does it, against the interest and welfare of the policyholder?

Mr. TULLY. The policyholder; no, sir.

Mr. GESELL. Now, Mr. Tully, when do you first advertise the fact that an election is about to take place?

Mr. TULLY. Generally speaking, in the middle of January.

Mr. GESELL. That would be after it had become clear that there was no independent nomination in the field.

Mr. TULLY. That is true.

Mr. GESELL. Does the company make any effort to notify the policyholders in advance of the time that they have a right to nominate an independent ticket?

Mr. TULLY. Only by the notice that appears on the policies, the receipt for premiums paid on the annual, semiannual, or quarterly basis, or in the premium receipt book for industrial weekly and monthly.

Mr. GESELL. Do those statements advise the policyholder that he has a right to make an independent nomination?

Mr. TULLY. No; they do not.

Mr. GESELL. My question was, when does the company advise the policyholder of his right to make an independent nomination?

Mr. TULLY. So far as I recall, there is no direct notice to the policyholder.

Mr. GESELL. All the advertising and notice involves is either the policyholder's right to vote or acquainting him with the fact that an election is to be held on a certain date?

(The witness nodded his head.)

The CHAIRMAN. May I interrupt? The law prescribes that the administration ticket may be nominated 7 months in advance of elections.

Mr. TULLY. Correct.

The CHAIRMAN. That I assume is always carried out.

Mr. TULLY. That is true; always carried out.

The CHAIRMAN. And when the administration ticket is so nominated by the officers, what is done about it?

Mr. TULLY. A certificate of nomination is transmitted to the superintendent of insurance with the acceptances of the individual nominees.

The CHAIRMAN. And it becomes a public document then, doesn't it?

Mr. TULLY. Right then and there.

The CHAIRMAN. What does the superintendent of insurance do about it?

Mr. TULLY. He holds a certification there, waiting developments.

The CHAIRMAN. Does he take any step of any kind to give public notice of the fact that such ticket has been nominated and filed with his office?

Mr. TULLY. Not to my knowledge.

The CHAIRMAN. There is no provision for the advertising of such a notice?

Mr. TULLY. No, sir.

The CHAIRMAN. If there were a requirement that the nomination of the administration ticket should be published, as other insurance notices are published, that would be one means of notifying the policyholders of the personnel of the administration ticket, wouldn't it?

Mr. TULLY. That is correct.

The CHAIRMAN. But that is not done.

Mr. TULLY. It is not done; it is not required.

The CHAIRMAN. And I understand your testimony in response to questions of Mr. Gesell, to be that the company itself, that is to say, under your direction, takes no step to notify the policyholders.

Mr. TULLY. Correct.

Senator KING. Do any of the rules or regulations promulgated by the insurance commissioner call for any further notice to be given to the stockholders or to the public?

Mr. TULLY. No, sir.

Mr. GESELL. You mean policyholders, do you not, sir?

Senator KING. Thank you; yes; I mean policyholders.

Mr. GESELL. You give notice of the election either on the policy or the policy jacket, do you not?

Mr. TULLY. On the policy, every policy.

Mr. GESELL. Every policy of every kind?

Mr. TULLY. Yes, sir.

Mr. GESELL. You give notice on the premium receipt?

Mr. TULLY. Correct.

Mr. GESELL. How long has it been that you have been giving notice on the premium receipt of the fact that an election is to take place?

Mr. TULLY. My recollection is that that was established in 1936.

The CHAIRMAN. Of what does the notice consist?

Mr. TULLY. Notice to the policyholder?

The CHAIRMAN. Yes; of what does it consist?

Mr. TULLY. This is the legend that appears on the policy, premium receipts, premium receipt books:

An election of directors of the company is held in New York on the second Tuesday in April of every odd year. The holder of this policy while it remains in force after 1 year from its date of issue will have a right to vote either in person or by proxy or by mail. For full particulars how to vote, apply to the secretary, No. 1 Madison Avenue, New York City.

Senator KING. And do the premiums which are paid from year to year on the policies all contain a similar notice?

Mr. TULLY. The premium receipt does. The notice of the premium being due does not carry the legend.

Senator KING. But the receipt does?

Mr. TULLY. The receipt does.

Mr. GESELL. When a man pays a premium and receives back a receipt from the company, that receipt notifies him of the election.

Mr. TULLY. Well, yes; it notifies him, of course.

Mr. GESELL. If he reads it.

Is it not a fact that these premium receipts are sent out to the policyholders, a certain number every month and every week, possibly every day?

Mr. TULLY. According to the period during which they have paid the premiums.

Mr. GESELL. So If I am a policyholder I may pay my premium and get my premium receipt, let us say in the month of June, and the notice I would get then would be of an election to be held the following year in April.

Mr. TULLY. But the preceding receipt for the premium paid carries that same notice.

Mr. GESELL. Yes; but the current nature of the notice would depend upon when I received my premium receipt, would it not?

Mr. TULLY. If you paid your premium in January, we will say on March 15 of each year you would get the notice that is on the back of that receipt.

Mr. GESELL. But if I paid it in June, I would be about a year off, wouldn't I?

Mr. TULLY. That is true, but you still have had the same notice for many years, we will say.

Mr. GESELL. Do you also advertise in certain New York papers about 10 days prior to the election?

Mr. TULLY. Two weeks, as a rule.

Mr. GESELL. That is required in the New York statute, isn't it?

Mr. TULLY. Yes.

The CHAIRMAN. Has the New York statute fixed the date of the advertisement?

Mr. TULLY. It says that the notice shall appear daily for 2 weeks preceding the day of election.

The CHAIRMAN. So you couldn't publish it 4 weeks preceding and comply with the law?

Mr. TULLY. I presume that there wouldn't be anybody to take exception to it if we did.

The CHAIRMAN. If you published the notice for 2 weeks, 6 weeks in advance of the election, that would not be compliance with the law, would it? You have to publish it for 2 weeks immediately preceding.

Mr. TULLY. Preceding, that is right.

Senator KING. If you publish it for 6 weeks, including the 2 weeks, then that might be compliance with the law.

Mr. TULLY. That is true.

Mr. GESELL. You simply live up to the strict statutory requirements, do you not?

Mr. TULLY. That is right.

Mr. GESELL. And the notice states:

Metropolitan Life Insurance Co. notice of election of directors. Notice is hereby given that the election of directors of the Metropolitan Life Insurance Co. will be held at the home office of the company, 1 Madison Avenue in the borough of Manhattan, city of New York, on Tuesday, the 13th day of April 1937, the polls to be open at 10 o'clock in the forenoon and to remain open until 4 o'clock in the afternoon of said day, at which time they shall be closed.

METROPOLITAN LIFE INSURANCE CO.,
J. P. BRADLEY, *Secretary*.

Now that is not a notice to the policyholder that he has a right to vote. It simply says the polls are open and if a man doesn't know that he has the right to vote, that doesn't inform him of that fact.

Senator KING. You don't contend the policyholders don't know, when they get their receipts and their receipts for the premiums they pay carry this notice?

Mr. TULLY. May I interrupt to say if a man is paying his premium quarterly, he gets that same notice four times within the policy year.

Mr. GESELL. Are these papers that I show you the form of proxy and ballot which is used by the company?

Mr. TULLY. This appears to be a correct copy of the ballots and proxies used for the election of 1937.

Mr. GESELL. I wish to offer both the proxy and the ballot for the record.

(The proxy and ballot referred to were marked "Exhibit No. 247" and are included in the appendix on p. 1544.)

Mr. TULLY. Those by the way are approved by the department. When the copy is ready it is submitted to the superintendent of insurance for his approval. They are not used until we have his approval.

Mr. GESELL. And by the time those proxies and ballots go out the situation is such that one vote will elect the directors, will it not?

Mr. TULLY. In effect.

Mr. GESELL. And the transmittal of the proxies and ballots is simply for the purpose of finding out how much interest the policyholders have in supporting the management, is that correct?

Mr. TULLY. We have striven to interest the policyholders to a greater number than have heretofore voted at these elections.

Mr. GESELL. But by the time these are sent out, one vote will result in the election of the directors, will it not?

Mr. TULLY. That is practically true.

Mr. GESELL. How are these proxies and ballots distributed? I think you said they are not mailed to all the policyholders.

Mr. TULLY. They are not mailed to the policyholders at all.

Mr. GESELL. How are they distributed?

Mr. TULLY. The proxies and ballots are distributed to our managers and assistant managers in charge of detached offices throughout the United States.

Senator KING. And Canada?

Mr. TULLY. And Canada.

Mr. GESELL. Now, they are sent out by regular form notices, are they not, to the managers and detached assistant managers?

Mr. TULLY. A circular letter follows the distribution of ballots and proxies. That circular letter is over the signature of the president of the company.

Mr. GESELL. You have in your hand, have you not, copies of the two circular letters used in the two previous elections?

Mr. TULLY. Yes.

The CHAIRMAN. How many ballots and proxies do you ordinarily print?

Mr. TULLY. In 1937 we printed 1,027,000 ballots and 102,000 proxies.

The CHAIRMAN. And how many did you distribute?

Mr. TULLY. The distribution was 795,260 ballots, and 79,676 proxies. Subsequent orders from the managers and detached assistant managers called for 58,740 more ballots and 12,324 more proxies.

The CHAIRMAN. And all of these were sent to agents and none of them to policyholders as such?

Mr. TULLY. That is true.

Mr. GESELL. I would like to read for the record a portion of the letter of Mr. Lincoln, president of the company, dated January 25, 1937, in reelection of directors, sent to the managers and detached assistant managers. The letter states in part:

You have already had notice—

The CHAIRMAN (interposing). What is the date of this?

Mr. GESELL. January 25, 1937. This has been identified by Mr. Tull just a moment ago [reading from "Exhibit No. 248"]:

You have already had notice of the election of members of the board of directors to be held in the home office of the company, 1 Madison Avenue, New York, N. Y., on the 13th day of April 1937. Official ballots and forms of proxies for the use of policyholders in your district have been sent to you for distribution. It is my wish that your agents should endeavor to interest as many policyholders as possible in this election. They are members of the corporation and entitled by law to vote for directors, and they should be desirous of exercising such privilege. It is incumbent upon your agents to bring this right to their notice and to endeavor to make them understand its significance.

In the ordinary case, policyholders will prefer to vote directly, which they may do by signing an official ballot before a witness who must also sign, and writing on the ballot the number of at least one policy on the voter's life that has been in force more than 1 year. The amount of insurance does not signify. Each policyholder has one vote, without regard to the number of policies or the amount of his insurance. All necessary instructions are printed on the ballots and on the proxy forms. Signed ballots and executed proxies may be delivered to the agent or mailed to the home office, according to the preference of the policyholder.

Forty ballots and 40 proxies—

Mr. TULLY (interposing). Beg pardon; you said 40 ballots and 40 proxies.

Mr. GESELL. (Reading further from "Exhibit No. 248"):

Forty ballots and four proxies per agent have been sent to your district, and should be distributed to your staff in such a way as will stimulate in them a spirit of friendly competition to procure the greatest number of completed ballots.

A good way to handle this election material is to give each agent a part only of the supply of ballots and proxies provided for him, and to see that, within a definitely set time, he turns them in properly completed. These ballots are not merely for distribution, but are intended for use. As soon as an agent has exhausted his first installment of ballots and proxies, he should be given another lot and encouraged to exert every reasonable effort to have them used. Meanwhile, completed ballots and proxies should be promptly transmitted by first-class mail to the home office * * *.

I wish to offer these circular letters in evidence.

The CHAIRMAN. They may be received.

(The letters referred to were marked "Exhibit No. 248" and are included in the appendix on p. 1546.)

Mr. TULLY. May I say that during the period from one to another election, a few of the policyholders write in for advice as to how they

can cast their votes at the next election. That information, of course, is always given.

The CHAIRMAN. Did you say "few" or "a few"?

Mr. TULLY. A few.

Mr. GESELL. And then they are put on a mailing list and receive ballots or proxies directly from the company?

Mr. TULLY. Just as soon as we have the ballots and proxies off the press the distribution begins.

The CHAIRMAN. What is the tenor of the inquiry which comes from such policyholders?

Mr. GESELL. I have some, Mr. Chairman, to come to in a moment, if you don't have any objection.

Are the ballots and proxies usually sent in by the policyholders, or usually by the office manager?

Mr. TULLY. Mainly by the office manager.

Mr. GESELL. Do they come by mail or express or by hand, or how do they get to you?

Mr. TULLY. They come by first-class mail.

Mr. GESELL. All of them?

Mr. TULLY. Occasionally one or the other of our managers slipped up and sent the package in by express, and the moment that we discover that at the home office we take the package over to the post office and there pay postage that should have been paid in the first instance.

Mr. GESELL. The law provides that the policyholders must vote by mail, by proxy, or in person. The ballots come in by express.

Mr. TULLY. By first-class mail.

Mr. GESELL. These ballots we are talking about come in by express, do they not?

Mr. TULLY. Yes.

Mr. GESELL. Then, to legalize them, you put the stamps on, take them to the post office, and mail them back to yourselves.

Mr. TULLY. We sent them by messenger to the post office, there purchase the postage, and pay for it.

Mr. GESELL. Now, what do you do with respect to the voting of group policyholders?

Mr. TULLY. Group policyholders have the right to vote, but so far as I know none of our policyholders have exercised that right. The employees are not entitled to vote.

Mr. GESELL. It would be one vote by the employer for all of the employees.

Mr. TULLY. If you wish to express it that way.

Mr. GESELL. Is that correct?

Mr. TULLY. That is correct.

Mr. GESELL. Is it not a fact that when it gets around time to count these ballots and proxies that a regular system for the examination of these ballots is prepared and instructions are given to the clerks?

Mr. TULLY. Yes; clerks provided or appointed by the superintendent of insurance supervise elections.

Mr. GESELL. The superintendent of insurance appoints the clerks?

Mr. TULLY. Three inspectors to supervise the election.

Mr. GESELL. The actual counting is by the employees of the Metropolitan?

Mr. TULLY. Largely, however, tests are made by each of the three inspectors.

Mr. GESELL. If there is a dispute, I suppose it goes to the inspector.

Mr. TULLY. Right; the inspectors are in complete control of the election from the opening of the polls until the final votes are cast.

Mr. GESELL. Is this sheet which I show you a copy of instructions which are given to the clerks with respect to the counting of ballots?

Mr. TULLY. It looks to be and probably is.

Mr. GESELL. I notice you say in paragraph 4:

(a) A void ballot is one unsigned, (b) signed but not witnessed, (c) not stating the policy number, (d) where a name other than any one of the several listed under the administration ticket is inserted.

Directing your attention to (c), these instructions void ballots not stating the policy number. Is that correct?

Mr. TULLY. That set of instructions was prepared by our general counsel.

Mr. GESELL. Are you aware that section 94, subsection 16, which is not one of the sections waived by the insurance commissioner, states that failure to state or correctly state such policy number shall not render a ballot void or subject the policyholder to any penalty?¹

Mr. TULLY. What subsection is that, please?

Mr. GESELL. That is subsection 16 to section 94.

Mr. TULLY. That escaped my attention.

Mr. GESELL. Has that been the practice to void ballots when they do not contain the policyholder's number?

Mr. TULLY. I wouldn't want to say that has been the practice.

The CHAIRMAN. These are not adversary ballots, are they?

Mr. TULLY. No; they are all administration ballots. The inspectors pass on them.

The CHAIRMAN. So the mere fact of the invalidation of the ballot here by the interpretation of that doesn't affect the outcome of the election any way because they are all one way.

Mr. GESELL. No; one vote will do the trick.

Mr. TULLY. The inspectors are in complete control and they issue instructions.

Mr. GESELL. Are these the insurance inspector's instructions or yours?

Mr. TULLY. Mine.

Mr. GESELL. And they are instructions to clerks of the Metropolitan, are they not, who do the counting?

Mr. TULLY. Yes.

Senator KING. From your observations and experience are there many ballots which have been received in which the number of the policy was omitted? Is that a usual thing?

Mr. TULLY. Very rare. The number is given in a very large percentage of all the votes.

The CHAIRMAN. Just describe the machinery of counting the ballots. Who has charge of it and how is it carried on?

Mr. TULLY. The canvass of votes is made by staff clerks.

The CHAIRMAN. Under whose direction?

Mr. TULLY. Under the direction of the superintendents of insurance inspectors in charge of the election.

Senator KING. They come down to the office, do they?

Mr. TULLY. Yes.

¹See "Exhibit No. 232", appendix, p. 1522 at p. 1524.

The CHAIRMAN. Do you have anything to do with it?

Mr. TULLY. I do not.

Mr. GESELL. Is there any comparison of the policyholder's number with the numbers on the ballots of proxies when they are received?

Mr. TULLY. With what?

Mr. GESELL. With the true numbers of the policyholders' policies. In other words, do you see whether the policyholder's number is correctly stated?

Mr. TULLY. No; we don't go to that extreme. We accept the ballot with the policy number as having been used in good faith by the policyholder.

Mr. GESELL. Do you make any effort to compare signatures?

Mr. TULLY. No, sir.

Mr. GESELL. Do you have any procedure which would cast out duplications?

Mr. TULLY. In the examination of the ballots the clerks find occasionally duplicate ballots, meaning that they have voted under one policy in the first instance and then on the second occasion they voted on another policy.

Mr. GESELL. Is your procedure such as to catch all duplications?

Mr. TULLY. We believe it is.

The CHAIRMAN. What is the purpose of trying to catch duplications?

Mr. TULLY. They are entitled to only one vote.

The CHAIRMAN. What difference does it make under that system?

Mr. TULLY. That is the inspector's—

The CHAIRMAN (interposing). Senator King and I have been listening to this description with a great deal of interest and we are going to put our heads together and see if we can't arrange for a similar system in our States.

Mr. GESELL. You said, I think, that these ballots and proxies are counted under the supervision of the inspectors appointed by the insurance department. Isn't it a fact though that these ballots and proxies are received in advance of even the appointment of the inspectors and counted and sorted by the clerks ahead of the actual election itself?

Mr. TULLY. They are received a long time ahead of the election.

Mr. GESELL. Are they opened before?

Mr. TULLY. They are opened with the permission of the superintendent of insurance. It is a fact that we do have clerks who count the ballots only for the purpose of informing me as to the total number of ballots that are received up to any given date.

Mr. GESELL. Why do you want to know the total number cast?

Mr. TULLY. Just to see how many of those that we have shipped come back completed ballots.

Mr. GESELL. What difference does it make?

Mr. TULLY. It doesn't make a particle of difference, but the final counting of the ballots is done on the day of the election by these clerks under the supervision of the inspectors of the election. That is the official count.

Mr. GESELL. But there is a preliminary opening of the packages and a sorting of ballots in advance?

Mr. TULLY. If I may say so, it is just a matter of curiosity. We would like to know how many out of the million or, say, 840,000 ballots that were sent out have come back up to a given date. It has

nothing to do whatever with the official count which is made after the opening of the poll.

Mr. GESELL. The New York law provides that 4 months after they have been counted, if there has been no objection raised, they can be destroyed. Is that correct?

Mr. TULLY. It says they are to be preserved for a period of 4 months. We add, when they are destroyed.

Mr. GESELL. Is the practice of the Metropolitan to destroy the ballots after those 4 months, and the proxies too?

Mr. TULLY. Ballots and proxies are all destroyed.

Senator KING. May I ask one question: Has there been any formal charge by any stockholder or by the insurance commissioners—

Mr. TULLY (interposing). Policyholder.

Senator KING. I beg your pardon, policyholder or by the insurance commissioner that there was a fraud in the election, ballots weren't counted that should have been or inferred that there was unfairness, deceit or fraud, or irregularity in any of your election proceedings?

Mr. TULLY. Nothing of that kind has ever been known.

Senator KING. From these millions of stockholders—

Mr. TULLY (interposing). Policyholders.

Senator KING. Yes, policyholders.

Mr. TULLY. Yes.

Senator KING. I will have to move to strike out stockholders and insert policyholders.

The CHAIRMAN. There is not likely to be much demand for a recount when the votes are all one way.

Mr. GESELL. Is there any advertising in connection with the elections or in anticipation of the elections which advises the policyholder in any way of the business connections of the director, his age, his period of service, his business accomplishments, his attendance record, or anything of that character?

Mr. TULLY. No, sir.

Mr. GESELL. By the way, is there any such thing as a policyholder list available in your company?

Mr. TULLY. Not as a list. We have a card record of all ordinary policyholders of \$500.00 and upward.

Mr. GESELL. You have no list which you could hand me and say, "These are the people who have a right to vote"?

Mr. TULLY. No, sir.

Mr. GESELL. You would have to compile that, would you not?

Mr. TULLY. We would have to go to the record of about 29,000,000 or 27,000,000 policyholders.

Mr. GESELL. As a matter of fact, your procedure is such that the policyholder's name is really carried in the branch office and not carried on a master control in the home office?

Mr. TULLY. No; on the ordinary type of policy the record is in the home office. In the industrial department that record is in the hands of the agent.

The CHAIRMAN. But the law provides a method whereby a certain number of policyholders, by signing petitions, may obtain such a list of policyholders?

Mr. TULLY. That is correct.

The CHAIRMAN. Has any such demand ever been made?

Mr. TULLY. No, sir.

Mr. GESELL. The chairman asked concerning communications from policyholders. Those clear across your desk, do they not?

Mr. TULLY. The majority of them; yes.

Mr. GESELL. They are either answered by yourself or one of the higher officers of the company?

Mr. TULLY. That is true.

Mr. GESELL. Perhaps I might read a typical one into the record, a letter from a Mr. Lieberman, dated July 27, 1938, addressed to the Metropolitan [reading from "Exhibit No. 249"]:

I am the holder of policy No. so and so. I notice on the policy that directors of the company are elected at a given time. Please send me a copy of the constitution and bylaws of the company together with particulars on how to vote in the forthcoming election of directors.

I shall thank you for your prompt attention.

That is the type of inquiry you get, is it not?

Mr. TULLY. Yes; just a simple request for information.

Mr. GESELL. Now may I read this and ask you whether this is a more or less customary reply [reading further from "Exhibit No. 249"]:

This is in response to your letter of the 27th.

The bylaws of this company contain no provisions whatsoever governing corporate elections.

Section 2 of article V of the company's Certificate of Corporations fixes the date for the biennial election of directors on the second Tuesday of April in every odd year.

The election of directors of insurance companies organized in New York is covered by the provisions of section 94 of the New York insurance law which is very elaborate in detail, comprising 35 subsections which occupy the greater part of seven pages of the Statute Book. This law makes provisions for an administration ticket and for independent tickets. The administration ticket is required to be nominated by the board of directors at least 7 months prior to the day of any election. Independent nominations may be made by petition of policyholders filed with the superintendent of insurance not less than 5 months before the election. The minimum number of nominations is 1 percent of the total policies in force.

The next election will be held on the second Tuesday of April 1939. We shall have pleasure in sending you on or about March 15 of that year a ballot and a proxy, either one of which may be used to record your vote at that election.

Mr. TULLY. That is not a typical response.

Mr. GESELL. It is not?

Mr. TULLY. No, sir. It is generally very brief and to the point. I think perhaps you have copies there. If you haven't, I have.

Mr. GESELL. You would consider this very detailed?

Mr. TULLY. Yes; very much in detail.

Mr. GESELL. Do you usually tell the policyholder about his right to make an independent nomination?

Mr. TULLY. No, sir.

Mr. GESELL. You said no?

Mr. TULLY. We do not.

Mr. GESELL. I notice in this letter you state the minimum number of nominations is 1 percent of the total policies in force. You wrote that letter didn't you?

Mr. TULLY. I think I did.

Mr. GESELL. Is it not a fact that section 94, subsection 9 provides that one-tenth of 1 percent may make that nomination?

Mr. TULLY. That is true.

Mr. GESELL. That is the difference between 270,000 and 27,000, is it not?

Mr. TULLY. Will you just read that for me again, please?

Mr. GESELL. You may look at the letter again.

Mr. TULLY. It is a misprint, that is just a plain error. It should be one-tenth of 1 percent.

Mr. GESELL. It is written out; it is not in figures. I wish to offer this correspondence.

(The letters referred to were marked "Exhibit No. 249" and are included in the appendix on p. 1547.)

The CHAIRMAN. What is the typical letter that you send out?

Mr. TULLY. May I just refer to our records and quote it?

The CHAIRMAN. I confess the matter seems to me to be of slight importance where the votes are all one way.

Mr. GESELL. Have you found that typical letter?

Mr. TULLY. This is a typical one, addressed to an individual, we will call him John Doe, Dated April 2, 1935.

This is in response to your card of the 28th ultimo.

The election of directors of this company will be held on Tuesday, April 9. The polls will be open from 10 o'clock in the morning and closed at 4 o'clock in the afternoon. It is your privilege to cast your vote for the directors, and we would be very glad to have you do so. You may vote by ballot or by proxy. We are enclosing a ballot and proxy, either one of which may be used. Full instructions for voting appear thereon. If you prefer to vote in person you may do so at any time between the hours above mentioned.

The CHAIRMAN. Do you recall ever having received any substantial number of letters from policyholders who desired to know whether or not there were any independent candidates or who desired to know if there was any opportunity of nominating any independent candidates?

Mr. TULLY. I have in mind that during the last 20 years we have received two or three such requests.

The CHAIRMAN. How were they treated? What sort of a response went to them?

Mr. TULLY. I do not believe that I can answer that question. It would be in the hands of the general counsel. If received by me it would be referred to the general counsel for attention. I am just quoting recollection now.

The CHAIRMAN. What is the reason for the circulation of so many proxies and administration ballots when apparently when they are circulated there is no opportunity for any opposition ticket to be placed in the field?

Mr. TULLY. The ballots run into large figures, as I quoted a short time ago, numbering some 740,000. The proxies at the most were—

Senator KING (interposing). Forty-six thousand.

Mr. TULLY. Forty-six thousand, a wide discrepancy, a discrepancy. We send these ballots to our field force, managers, and agents, in the hope that the policyholders will take more interest and cast their votes at the various elections.

The CHAIRMAN. Have you at any time notified them of their right under the law to nominate anyone for opposition tickets?

Mr. TULLY. No.

Mr. GESELL. No; as a matter of fact, Mr. Tully, when some of these people write in is it not so that you in Metropolitan make an

independent, secret investigation of that man's habits, why he wrote in, and why he indicated this great interest?

Mr. TULLY. There have been one or two, possibly three, and you will note a policy number was not given and so we had no means of identifying the individual as a policyholder eligible to vote. In one or two of those cases I did write to the manager under personal and confidential coverage asking him to give us a word picture of the correspondent and to tell us whether he was a policyholder.

Mr. GESELL. Now, let me see. Here is, I think, an example. From Kansas City, Mo., September 29, 1936, you received a little post card [reading from "Exhibit No. 250"]:

DEAR SIR: Kindly advise me as a policyholder how to vote. Is there one vote for each policy, one for each holder, or is the vote regulated by the amount of insurance carried?

Yours very truly,

C. L. FONTAINE,
Mercier Street, Kansas City, Mo.

Your reply states to Mr. Fontaine [reading further from "Exhibit No. 250"]:

This is in response to your post card request of the 29th ultimo for information as to voting for election of directors.

You give him some information. That letter went out on October 9 to Mr. Fontaine, telling him about his right to vote. On the same day you appeared to have written to Mr. Henry V. Party, manager in Pennway, Mo. [reading further from "Exhibit No. 250"]:

Will you please find out and tell us something about the above named, his business, general standing in the community, the numbers of his policies plus the numbers of others in force on the lives of the members of his family and the D. L. P.

Mr. TULLY. D. L. P., date of last payment.

Mr. GESELL (reading):

We ask for this information as the result of his request of us for advice as to how he is to proceed to vote for the directors of the company at the next election. We are, of course, giving him the desired information. We have also told him that we will have pleasure, on or about February 15, in sending him a ballot and a proxy either one of which may be used to record his vote; that full instructions as to how to vote will appear on each form, and that irrespective of the number of policies and the total amount of insurance he has, he is entitled to only one vote.

This is the paragraph that interests me, Mr. Tully:

There is no need for you to send one of your men to question him. Casual inquiries of the agent or of others in the neighborhood of his business should enable you to give us a pretty good line on him and his interest in the company.

Mr. TULLY. If the gentleman was a policyholder of the company the manager could obtain from the agent some knowledge of this man.

Mr. GESELL. Now if you wanted to know whether this man had a policy and what the policy number was, couldn't you write to him as a member of the Metropolitan family and drop him a card and ask him for his policy number?

Mr. TULLY. I could very well have done that, but I just took the other means that was open to us of finding out through the agent.

Mr. GESELL. Why was it necessary to know about his business and general standing in the community?

Mr. TULLY. Well, that is somewhat of an exaggerated point.

Mr. GESELL. Why was it necessary to make casual inquiries about him in the neighborhood?

Mr. TULLY. That would not be done if the agent knew the man as a policyholder.

Mr. GESELL. Wouldn't the proper thing have been for your agent or your manager to go directly to this man and ask him?

Mr. TULLY. No, sir; I don't think so. We never do that.

Mr. GESELL. On whose instructions do you send this kind of thing out, Mr. Tully?

Mr. TULLY. I would say in that respect that I personally am responsible for that. That was followed in two or three cases. I do not know of any other cases where that has ever been done.

Mr. GESELL. Is it because you are alarmed or have some doubts as to the fact that a man may make an independent nomination?

Mr. TULLY. Absolutely no.

The CHAIRMAN. What was the date of that?

Mr. TULLY. October 9.

Mr. GESELL. October 1936. The correspondence is all in that month; it varies from the 9th to about the 13th.

The CHAIRMAN. When was the next election?

Mr. GESELL. April 1937, I believe.

Mr. TULLY. April 1937.

Mr. GESELL. I wish to offer this correspondence in evidence together with the reply which perhaps I might read. Mr. Tully replied to Mr. Tully [reading further from "Exhibit No. 250"]:

In regard to Mr. Fontaine, I will give you the following report. This man has \$27,500 of Metropolitan 10-year term policy with our Agent Brown, debit 76.

He is a grain broker. He also has \$10,000 worth of insurance in some Texas company. He has recently requested the figures to change his term insurance.

and there follow some facts that they have been able to collect about him, about his daughters being in boarding school, and certain things.

(The correspondence referred to was marked "Exhibit No. 250" and is included in the appendix on p. 1548.)

Mr. TULLY. May I add that the manager correctly identified this man as a policyholder, that he gave us the amount of his insurance, and we could then and there have gone into our files, we could have learned from our files the nature of the man's business, something about his insurance, and many other things.

Mr. GESELL. Does that incoming letter give the man's policy number? You didn't get what you wanted, did you, Mr. Tully? Did you write him back?

Mr. TULLY. No; we didn't. When he is a policyholder of the company we must necessarily satisfy him.

The CHAIRMAN. The witness testified that this is an isolated incident, Mr. Gesell. Have you any reason to believe it is not an isolated case?

Mr. TULLY. May I add that that is the experience over a good many years, just these three cases.

Mr. GESELL. I have some other cases from the files, of that kind; yes. Would you like them for the record?

The CHAIRMAN. Not necessarily; no. The witness testified that this was an isolated case and I was just wondering what the purpose of the representation is. Are you going to prove that it is not an isolated case?

Mr. GESELL. I will ask Mr. Tully, how many times have you made an investigation of a policyholder who wrote in and inquired about his franchise rights?

Mr. TULLY. I would say not more than the three or four that are in this file.

The CHAIRMAN. How did you happen to do this, Mr. Tully?

Mr. TULLY. The man didn't give us the number of his policy, and curiosity killed a cat. That was what I was after, trying to find a word picture of the man. There was no ulterior purpose in mind.

The CHAIRMAN. Since the election is such a formality in any event, I wondered why you should go to the trouble in one isolated case to find out who the man was.

Mr. TULLY. Just poor judgment.

The CHAIRMAN. What would you do with the information when you got it?

Mr. TULLY. It would remain in the file.

Senator KING. In the card you first received did the sender state the number of his policy?

Mr. TULLY. He did not.

Senator KING. If he had stated the number of his policy——

Mr. TULLY (interposing). I would know he was a policyholder and was entitled to that information.

Mr. GESELL. Just one thing, Mr. Tully. Do you recall some correspondence you had with a Mr. John O'Connor, who inquired about the right to vote, in December 1937?

Mr. TULLY. Yes.

Mr. GESELL. Your reply to Mr. O'Connor on December 15, 1937, did not give full information to Mr. O'Connor about the methods to be pursued in making an independent nomination, did it?

Mr. TULLY. No, sir.

Mr. GESELL. I notice the tab states, to you from Mr. Dunham, of the legal division of your company.

This letter has had the consideration of Messrs. Lincoln and Ecker, who don't want any further explanation given.

Have you anything further to say about that?

Mr. TULLY. I have not. They have to speak for themselves. I speak for myself.

Mr. DOUGLAS. I have a question; perhaps you covered it, perhaps I didn't understand. Let me ask you a hypothetical question. Suppose I were a bona fide policyholder of Metropolitan, and I wanted to get a candidate of my choice before the electorate, how would I go about doing it?

Mr. TULLY. You would have to join with 24 others and petition——

Mr. DOUGLAS (interposing). Twenty-four other policyholders?

Mr. TULLY. Yes.

Mr. DOUGLAS. How could I find them?

Mr. TULLY. Well, from personal acquaintances.

Mr. DOUGLAS. Could I go to the company and would you, as assistant secretary, or some other officer of the company give me a list of policyholders from which I could select a few names?

Mr. TULLY. I would immediately refer that question to the general counsel of the company for attention.

Mr. DOUGLAS. Have you ever had any such inquiry?

Mr. TULLY. We have never had.

Mr. DOUGLAS. Therefore it is correct to say that Metropolitan has no policy as respects the accessibility of the names and addresses of policyholders. Is that right?

Mr. TULLY. We have an index of all policyholders.

Mr. DOUGLAS. But you have no policy as respects their release or distribution to people like myself in this hypothetical case.

Mr. TULLY. I would prefer to have the general counsel answer that question. I would say, however, that we would probably give you the information if you asked for it. I am just expressing my own opinion on that question.

Mr. DOUGLAS. But in the history of Metropolitan so long as you have been associated with it, that question has never arisen?

Mr. TULLY. It never has.

Mr. GESELL. Just to clarify one point, you say you get 25 policyholders. That would be for the purpose of getting a policyholders' list through the office of the insurance commissioner.

Mr. TULLY. Superintendent of insurance.

Mr. GESELL. It would then be necessary, would it not, to get the approval of one-tenth of 1 percent of all the policyholders entitled to vote, to make an independent nomination?

Mr. TULLY. That is correct.

Mr. DOUGLAS. And that requirement would require me to get around 27,000 endorsements for my candidate?

Mr. TULLY. I would say 27,000 to 29,000. I am not much of a mathematician.

Mr. DOUGLAS. One-tenth of 1 percent of 27,000,000 is 27,000, isn't it.

Mr. TULLY. Twenty-seven thousand.

Representative SUMNERS. I would like to ask a question, if you please, sir. As a practical proposition, with that many million policyholders, is there any possibility of an opposition ticket, unless there is a great big excitement among the policyholders caused by somebody who has a lot of money he wants to invest in an effort to get control?

Mr. TULLY. I think there would have to be a lot of noise.

Representative SUMNERS. Suppose one individual got all the information you have got. How would he go about stirring up these twenty-odd million people and getting a ticket in there to beat you folks?

Mr. TULLY. He would have to find a number of men of the same type of mind, to interest as many as he can.

Representative SUMNERS. He not only would have to have a mind; he would have to have money.

The CHAIRMAN. It would be a little bit worse than running for Congress.

Representative SUMNERS. Now, as a practical proposition—I don't know what all this testimony is about—either you people control the election of officers or somebody else does.

Mr. TULLY. The directors.

Representative SUMNERS. And somebody has to unseat you to get in. It takes a heap of votes and lots of money, so that is all there is to it as I see it.

Mr. TULLY. And a lot of money.

Senator KING. Has there ever been any particular complaint of the management or any disposition to oust any member at all?

Mr. TULLY. Not even a ripple of it; on the other hand there have been thousands of letters coming in and congratulating the management on the conduct of the business from all over the United States and Canada.

Mr. O'BRIAN. Mr. Chairman, may I make an observation in connection with this very subject? This section 94¹ which has been in force in substance, substantially the same form, ever since the Armstrong committee, has been given a good deal of study according to current information, and a couple of years ago Professor Patterson, of Columbia University, who is a professor of insurance, was retained by the commissioner of insurance of the State of New York to study and make recommendations on a revision of the New York insurance law, and this particular subject was made—special emphasis was laid upon it in the so-called "code" which is now before the New York Legislature for adoption. This section remains substantially unchanged. There are minor changes in it, but I believe there is some literature on the subject in the form of notes of Professor Patterson, who has been appointed special counsel.

The CHAIRMAN. Mr. O'Brian, inasmuch as you have made this statement, won't you, for the benefit of the record, just tell us who you are?

Mr. O'BRIAN. I am Mr. John Lord O'Brian, acting as counsel for the Metropolitan in this particular section of this inquiry. I thought it might be of interest to the committee to know that this subject has been receiving a good deal of study on the part of the New York Insurance Department as well as on the part of the companies.

The CHAIRMAN. Have you participated in the study?

Mr. O'BRIAN. I have not, but I think what I am saying is a matter of general knowledge. Mr. Gesell is probably familiar with it. I am not saying it should or should not be changed. I am just calling attention to the fact that it has been receiving a good deal of attention, but the net result is the recommendation of the special committee in New York State who made the study, a legislative committee, embodied in a proposed law which leaves this without substantial change. It is a troublesome question. Everybody realizes that.

Senator KING. Notwithstanding, then, the study made, an investigation and study by Mr. Patterson, the matter is now before the legislature and this particular section has not been materially changed?

Mr. O'BRIAN. Not been materially changed.

Mr. DOUGLAS. Mr. Chairman, we plan to present the committee with the matters with regard to that study.

Mr. O'BRIAN. If I had known that I wouldn't have mentioned it.

Mr. GESELL. I have no further questions of this witness.

The CHAIRMAN. Do any members of the committee desire to ask questions? Dr. Lubin?

Dr. LUBIN. Mr. Tully, can you give us for the record the cost of printing that million-odd ballots and proxies?

Mr. TULLY. I personally cannot give you that information, but we have it in the file here somewhere.

Cost of printing ballots, proxies, letters to the field force, and forms for recording votes for 1937 election, \$1,279.27. Printing notice re-election in policies, and so forth, \$1,007.

Senator KING. Supposing you had not printed a large number—you printed a million—and there had been, through some unexpected reason, a demand upon the part of the policyholders to make a change or to vote, and you had not printed the million, then you would have been in a dilemma, I suppose.

¹ See "Exhibit No. 232", appendix, p. 1522.

Mr. TULLY. We would have to have the presses running night and day for 24 hours every day in the year, costing considerable money.

Mr. GESELL. Our next witness is Mr. Schurr.

(The witness, Mr. Tully, was excused.)

The CHAIRMAN. Do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCHURR. I do.

TESTIMONY OF EDWARD SCHURR, AGENT, VAN CORTLAND DISTRICT OFFICE, METROPOLITAN LIFE INSURANCE CO., NEW YORK CITY

Mr. GESELL. What is your full name?

Mr. SCHURR. Edward Schurr.

Mr. GESELL. Are you employed by the Metropolitan Life Insurance Co.?

Mr. SCHURR. I am.

Mr. GESELL. In what capacity?

Mr. SCHURR. As an agent.

Mr. GESELL. Out of what office do you work?

Mr. SCHURR. The name of the office is the Van Cortland district; the address, 723 West One Hundred and Eighty-first Street, New York.

Mr. GESELL. What is the name of the manager?

Mr. SCHURR. Mr. J. L. Kinsey.

Mr. GESELL. Are you selling industrial insurance, primarily?

Mr. SCHURR. Industrial and ordinary.

Mr. GESELL. Do you have industrial debits from which you collect each week?

Mr. SCHURR. I do.

Mr. GESELL. How long have you been with the company?

Mr. SCHURR. It will be 11 years in August.

Mr. GESELL. In how many elections have you participated?

Mr. SCHURR. Four or five, I am not quite sure.

Mr. GESELL. Will you tell us the procedure in the office in which you are employed when an election of directors for the company is announced?

Mr. SCHURR. We would be given somewhere around forty or fifty ballots by the manager, usually, at an open meeting, and asked that we have them signed by the policyholders, witnessed and insert the policy number applying to that individual, and then we would return them to the office.

Mr. GESELL. Would the manager or assistant manager call together all the agents working out of that office?

Mr. SCHURR. That is what I mean by an open meeting, when all the men were present.

Mr. GESELL. And these would be handed out to all of the men?

Mr. SCHURR. That is right.

Mr. GESELL. Are you given any particular time within which to get them returned, signed by the policyholders?

Mr. SCHURR. As far as I recall, within about a week. We would be given a few a day, probably 10 or 12, and we were asked that they be returned the following morning.

Mr. GESELL. So you were given a few and you would get those in, and then you were given a few more and you would get those in.

Mr. SCHURR. That is the usual procedure.

Mr. GESELL. Will you tell us what procedure you followed in obtaining the signature of policyholders on these ballots?

Mr. SCHURR. If we had the time or we could get them signed, they were signed by the policyholders, but if we were very busy or found some resistance by the policyholder in not wanting to sign it for one reason or another, they wouldn't be signed at times.

Mr. GESELL. Who would sign them?

Mr. SCHURR. Well, it was a practice more or less for one agent to sign them for another.

Mr. GESELL. You mean that two or more agents would get together and each sign the other fellow's ballots?

Mr. SCHURR. That was done a good deal.

Representative SUMNERS. Let's make that pretty clear. Why didn't the agent sign his own ballot?

Mr. DOUGLAS. When you say his own ballot——

Representative SUMNERS. If an agent is a policyholder, he is entitled to a vote.

Mr. GESELL. I think I can help. If you have 20 or 30 ballots to get signed, do the policyholders sign them or do other agents in the company sign them?

Mr. SCHURR. I say we have some of them signed, but if we couldn't or didn't have the opportunity to do so and we were pressed for time, we didn't think anything of having someone else sign it for them.

Mr. GESELL. That would be without the knowledge or authority——

Mr. LINCOLN (interposing). Do I understand the agent to say that one agent will forge the name of a policyholder?

Representative SUMNERS. He is pretty nearly saying it.

Mr. LINCOLN. That is what I want to bring out. I may be out of order. Has this young man——

Mr. DOUGLAS (interposing). I think, Mr. Chairman, in accordance with the procedure we have recommended to the committee, that Mr. Gesell should be permitted to continue his examination and elicit the facts without interruption.

Mr. GESELL. Will you just go over this in as much detail as possible, Mr. Schurr?

Representative SUMNERS. Let him tell us exactly what he is trying to say.

Mr. GESELL. Tell us exactly the procedure that is followed with respect to some of these ballots.

Mr. SCHURR. I am trying to say we take some ballots out, and if the policyholder signed it without any trouble, we would explain it within the limits of our time, and so forth, but if there was any opposition, if they started saying, "Well, we don't know who these people are," or "We haven't any choice," or "We don't understand it," or "Don't bother me," or "I don't want to sign my name to something," which we would get in some cases, and we were pressed for time, when it came to sending them in, if we were short of time and couldn't get them done, we didn't think anything of having an agent sign them for us.

Representative SUMNERS. Can't you say whether you signed that man's name to a ballot or not? Was his name signed to a ballot, the name of a man who didn't agree to sign, did that ballot show up signed by somebody else in his name?

Mr. SCHURR. That is right.

Mr. GESELL. The other agent would sign the name of that particular policyholder on the ballot?

Mr. SCHURR. That is right.

The CHAIRMAN. Let me interrupt here. You said that "We didn't think anything of getting an agent to sign." Did I understand you to say that?

Mr. SCHURR. That is right.

The CHAIRMAN. Do you want the committee to understand that you, personally, in some cases, signed the name of a policyholder without the knowledge and consent of that policyholder?

Mr. SCHURR. I do; yes.

The CHAIRMAN. In how many cases have you done that?

Mr. SCHURR. I wouldn't be prepared to say how many, but quite a few.

The CHAIRMAN. Ten cases?

Mr. SCHURR. Probably in each batch, as many as that.

The CHAIRMAN. In each batch. How many batches?

Mr. SCHURR. What I mean is, there were a group of 40 or 50 we had to sign in each particular election, and in that batch there would be a number that we would do that way.

Mr. LINCOLN. Aren't we entitled to have the names of any policyholders—

Representative SUMNERS. I would sort of like to finish up with this witness.

Mr. DOUGLAS. Out of forty-odd ballots that you would receive, Mr. Schurr, you would, yourself, in the period in question, on the average, sign the name of the policyholder to about a fourth of those?

Mr. SCHURR. No; I didn't say that I signed them. I said if I were short of signatures, we would exchange signatures.

Mr. DOUGLAS. But you would sign the ballots that had been given to another agent and he would sign ballots that had been given to you.

Mr. SCHURR. That is right.

Mr. DOUGLAS. And that would run about one-fourth in average on the total number received.

Mr. SCHURR. I am making a guess.

Mr. DOUGLAS. That is your best estimate.

Mr. SCHURR. Some small percentage would be done that way.

Mr. GESELL. And when you say "sign," you mean sign the name of the policyholder; is that right?

Mr. SCHURR. That is right.

Senator KING. Suppose I was a policyholder and you came to me and asked me to sign the ballot and I declined, would you take upon yourself the responsibility before you turned in that ballot to sign my name?

Mr. SCHURR. If we didn't succeed in getting the sufficient number signed we would finish them up that way.

Senator KING. You would forge my name; would you?

Mr. SCHURR. That is right.

Representative SUMNERS. Every time I begin to develop a witness everybody jumps in on me. There are several things that I don't quite understand about it. Why didn't each agent sign the names of the people who were on his list instead of getting somebody else to do it? Why did you have to have the exchange among agents? He signed your bunch and you signed his. Why did you boys go to that trouble?

Mr. SCHURR. So the signatures wouldn't all be in the same handwriting.

Representative SUMNERS. Another thing I would like to know is, you did this when you were in a hurry. Were you usually in a hurry?

Mr. SCHURR. Well, it would depend. If we had plenty of other work, or if we had other work, and if we were short of time—I have added that two or three times.

Representative SUMNERS. I understand that. Did you stay short of time most of the time?

Mr. SCHURR. This only took place for a week, as far as I remember—the balloting.

Representative SUMNERS. But how often does it occur?

Mr. SCHURR. Every other year.

Representative SUMNERS. You do that every other year?

Mr. SCHURR. That is correct.

Representative SUMNERS. Is that week one of your slack weeks or a rather busy week?

Mr. SCHURR. We have no way of telling right now.

Representative SUMNERS. How did you come to get in the habit of doing this sort of thing? Who put you up to it in the first place? Who developed it, or did you just as a bunch of smart boys figure that out to save a lot of work?

Mr. SCHURR. Well, do you want to know the reason why I did it?

Representative SUMNERS. That is what I have been trying to find out, and we will find out too if the rest of these folks will leave us alone a while.

Mr. SCHURR. We felt it wasn't done, that the policyholders didn't take enough interest in them and if we had to press them too much, it would interfere with the rest of the work. We didn't think it was taken seriously enough—let's put it that way.

Representative SUMNERS. Who originated the idea in your outfit?

Mr. SCHURR. I couldn't say that.

Representative SUMNERS. You didn't do it, did you?

Mr. SCHURR. I don't believe so.

Representative SUMNERS. You can't claim credit for it. Do you know whether that is done by agents in other territories? Have you ever heard or do you know anything about it?

Mr. SCHURR. I wouldn't be prepared to say about other territories, but it was common practice in my office.

Mr. DOUGLAS. I might say, Judge Sumners, that the Commission is prepared to show the extent of the practice.

Representative SUMNERS. Then I will quit. I didn't know that.

Mr. GESELL. How long has this been going on in the office where you work?

Mr. SCHURR. As long as I am there.

Mr. GESELL. That has been back over four or five elections?

Mr. SCHURR. Four or five; yes.

Mr. GESELL. Is the signing of these ballots done openly in the office?

Mr. SCHURR. Well, not necessarily.

Senator KING. Do you mean in his office or the company's office?

Mr. GESELL. In the company's office.

Mr. SCHURR. Not particularly; no. Sign them any place we could.

Mr. GESELL. Have you sometimes signed them in the company's office?

Mr. SCHURR. I believe I have; yes, sir.

Mr. GESELL. Have you seen other agents sign them in the company's office?

Mr. SCHURR. Yes; I have.

Mr. GESELL. Is it more or less a standing joke around the office that everybody signs them that way?

Mr. SCHURR. It is common practice; yes, sir.

The CHAIRMAN. Is it generally known?

Mr. SCHURR. Yes, sir.

The CHAIRMAN. Do you know whether or not your manager knows about it?

Mr. SCHURR. I don't think he could avoid knowing about it.

The CHAIRMAN. Why do you say that?

Mr. SCHURR. Because if enough were done around the office, it was no secret.

The CHAIRMAN. Did he come up from an agent himself?

Mr. SCHURR. Well, this particular manager, I don't believe so; no.

The CHAIRMAN. What about the assistant managers?

Mr. SCHURR. Well, I say it was done openly in the office enough so it was known around the office.

Mr. GESELL. Did the manager or the assistant managers indicate when they handed these ballots out in any way they knew that was the way you were going to get the signatures?

Mr. SCHURR. No; they didn't indicate that way.

Mr. GESELL. Did you sometimes sign them left-handed or back-handed to disguise the signatures?

Mr. SCHURR. Yes.

Mr. GESELL. And that was the general way of doing it, was it?

Mr. SCHURR. Yes, sir.

Mr. GESELL. Was there quite a bit of pressure put upon you by the managers to get these ballots in on specific dates?

Mr. SCHURR. Yes, we were given a set time to bring them in.

Mr. GESELL. Is that one of the reasons why you felt hurried in getting them?

Mr. SCHURR. Yes; we had to have them in by the end of this given time.

Mr. GESELL. What do you mean, you had to have them in? Were you told that you would be subject to some penalty if you didn't get them in?

Mr. SCHURR. I don't recall any penalties being given in that connection, exactly, but it was impressed on us very definitely that they had to be in.

The CHAIRMAN. By whom?

Mr. SCHURR. By the manager.

The CHAIRMAN. The same manager of your office?

Mr. SCHURR. The manager who gave us the ballots.

The CHAIRMAN. The manager who knew the signatures were being added by yourself and other agents?

Mr. SCHURR. I say I presume he knew. It wasn't discussed with me personally. I presume he knew about it.

The CHAIRMAN. You don't know whether he knew or not?

Mr. SCHURR. Well, you understand, if we sign a ballot that way, we didn't take any particular trouble to advertise it. If he saw it, it didn't bother us much. That was the idea.

The CHAIRMAN. But you don't know and don't wish to testify directly as to whether or not the manager himself knew that you were doing it?

Mr. SCHURR. No; I wouldn't say that; no.

The CHAIRMAN. Then, so far as your testimony is concerned, the agents knew about it but you cannot say that the manager knew about it?

Mr. SCHURR. No; I don't know that.

The CHAIRMAN. What do you mean by, "No; I don't know that?"

Mr. SCHURR. I feel it was common practice that the manager and the assistant manager and everybody connected with the office knew about it. That is what I feel, but I didn't ask them and they didn't discuss it with me, or vice versa.

The CHAIRMAN. And you never told the manager you were signing the ballots in this way?

Mr. SCHURR. I did not.

Senator KING. Who is the manager?

Mr. SCHURR. The manager for the most part of my employ was a man by the name of C. E. Wyatt. There is a new manager now.

Senator KING. When you speak about your office, do you mean the office for the agents in contradistinction to the office of the general corporation?

Mr. SCHURR. There are district offices; mine was a district office.

Senator KING. This was a district office?

Mr. SCHURR. That is right.

Senator KING. How many employees were there in the district office?

Mr. SCHURR. Around 34 or 35.

Senator KING. Did they have anything else to do other than look after such other work as might be assigned to them by the Metropolitan Insurance Co.?

Mr. SCHURR. Do you mean did the agents have any other work?

Senator KING. Yes.

Mr. SCHURR. No; our job is to take care of this collection of ballots.

Senator KING. You were not working for any other corporation other than the Metropolitan?

Mr. SCHURR. No, sir.

Senator KING. Paid per diem or monthly—how are you paid?

Mr. SCHURR. We were paid weekly, based on a contract which ran over a period of time.

Senator KING. Who employed you?

Mr. SCHURR. The manager hired me.

Senator KING. Mr. Wyatt?

Mr. SCHURR. Yes; that is right.

Mr. GESELL. It is just a regular sales office of the Metropolitan, is it not, a district office for servicing the policyholders in that district?

Mr. SCHURR. That is right.

Mr. GESELL. And lots of those offices are established all over the country?

Mr. SCHURR. That is right.

Mr. GESELL. I have no further questions.

Mr. DOUGLAS. Mr. Schurr, over what period did you of your own knowledge know that policyholders' ballots were being forged by agents in your office?

Mr. SCHURR. Ever since the first election.

Mr. DOUGLAS. Will you give that date to the record, 1933 was it?

Mr. SCHURR. Well, no; I started there in 1927 or 1928.

Mr. DOUGLAS. You know that the forgeries took place in every election since 1927?

Mr. SCHURR. No; I entered the employ of the Metropolitan in 1928 and I guess the first election was 1929.

Mr. DOUGLAS. Do you know of your own knowledge that forgeries took place in that office from 1929?

Mr. SCHURR. Yes, sir; and every election.

Mr. DOUGLAS. Every election, so you are speaking now not of something that happened just once, but something that happened during each election since and including 1929?

Mr. SCHURR. That is correct.

Mr. LINCOLN. Mr. Chairman, are we permitted to have the name of a policyholder or policyholders whose names he forged?

The CHAIRMAN. I shall ask that question of the witness.

Mr. SCHURR. No; I couldn't tell you that. We kept no record. We picked out one from the book. As a matter of fact, if an agent would come over and give me a ballot and I put the policyholder's name on it, I didn't keep any record; I had no interest in it and the name was on the other fellow's book.

Mr. GESELL. You mean he would give you the name from his books showing the names of policyholders on his debits and the numbers of the policies and you would take that as a guide in filling out ballots of policyholders for him.

Mr. LINCOLN. Did he do that in the election of 1937 or 1935?

Dr. LUBIN. Who is this gentleman who is asking the question?

The CHAIRMAN. This is Mr. Lincoln, the president of the Metropolitan Life Insurance Co., and of course I think we recognize the fact—

Mr. LINCOLN (interposing). Mr. Chairman, I insist on the right to say that I never heard of such a practice, and of course don't countenance it in any way, shape, form, or manner, and bearing in mind Senator King's suggestion, I may say I have that in mind, sir.

Senator KING. Can you give the name of a single person whose name you forged?

Mr. SCHURR. No; I couldn't now.

Senator KING. Why not?

Mr. SCHURR. Because we paid no attention to it. He just gave me a ballot, the policy number was on there, and he asked me to put the name down. I couldn't tell you offhand. It might have been one or it might have been several.

Senator KING. Was it an agent that told you to do it, or the manager?

Mr. SCHURR. Oh, not the manager; an agent.

Senator KING. And did you tell another agent to forge some other man's name?

Mr. SCHURR. Yes.

The CHAIRMAN. Can you give us the name of any policyholder in which case you asked that that be done?

Mr. SCHURR. No; I could not.

The CHAIRMAN. You did this at the last election?

Mr. SCHURR. Yes, sir.

The CHAIRMAN. During what month did you do it?

Mr. SCHURR. In April of '37.

The CHAIRMAN. In April of '37?

Mr. SCHURR. That is right.

The CHAIRMAN. And you do not now recall the name of any policyholder whose proxy was handed to you to procure the signature?

Mr. SCHURR. No; I do not.

The CHAIRMAN. Is there any way by which you could find out?

Mr. SCHURR. We couldn't know.

Mr. GESELL. You will recall, Mr. Chairman, that the previous witness testified that the ballots and proxies had been destroyed in accordance with New York law, quite properly, as the law allows.

I have no further questions of this witness. We have other witnesses we would like to call.

The CHAIRMAN. Do any other members of the committee desire to ask any questions?

Representative WILLIAMS. I understood you to say you engaged in the practice of forging names in case you didn't get a sufficient number of ballots.

Mr. SCHURR. That is right.

Representative WILLIAMS. Who determined what was a sufficient number?

Mr. SCHURR. We were given a set amount, somewhere around 50.

Representative WILLIAMS. Were you instructed to get all of those signed up?

Mr. SCHURR. That is right.

Representative WILLIAMS. And in case you couldn't get the parties to sign them, you signed them yourself?

Mr. SCHURR. Yes.

Representative WILLIAMS. In other words, you had to get, or you did adopt the policy of getting all the ballots that were given you signed up. You were supposed to get them all signed.

Mr. SCHURR. That is right; yes.

Representative WILLIAMS. And the manager who gave them to you gave you to understand that he wanted them all signed and returned.

Mr. SCHURR. He did.

Representative WILLIAMS. And it was in order to fulfill that direction that you and your coworkers there signed them for each other?

Mr. SCHURR. Only if we couldn't get them signed by policyholders.

Representative WILLIAMS. If you couldn't get them signed you signed them yourself?

Mr. SCHURR. That is right.

Dr. LUBIN. Am I to understand from the questions asked you it was your job to get them signed, and you felt that was your duty, that you had to get so many signatures?

Mr. SCHURR. Yes; but I have expressed it before that we felt there was quite a little resistance on the part of the policyholder, and also lack of interest, and the question would come up very often, "Well, I have no choice in the voting."

Dr. LUBIN. You were asked a question a few minutes ago as to whether there was any penalty in the event you failed to get the signatures. You said as far as you knew, there wasn't any penalty.

Mr. SCHURR. I personally was not penalized; no.

Dr. LUBIN. Do you know of any case where people who failed to get a sufficient number of signatures were called down by the manager?

Mr. SCHURR. I just heard of it but I wouldn't give any names.

A man would say he was told, "If you don't get them signed we will withhold your salary," but I don't know of cases where it has been done.

Dr. LUBIN. Was it generally felt by the agents if they failed to get the signatures, something might happen to them?

Mr. SCHURR. I don't think that entered into it very seriously, because the ballots would be filled out at the designated time in the way I described.

Mr. GESELL. I have no further questions of this witness.

Dr. LUBIN. Am I to understand then you feared your income might have been interfered with if you failed to get enough signatures?

Mr. SCHURR. We were told we would have to have them signed and we weren't looking for any more trouble in that direction.

The CHAIRMAN. I understood you to say at the outset that it was regarded as a matter of not very serious importance.

Mr. SCHURR. That is the way I have felt, and that is the way the policyholders feel a great deal.

The CHAIRMAN. As to whether or not they cared to ballot, it was immaterial?

Mr. SCHURR. That is right.

Representative SUMNERS. It was just sort of an easy way of your doing the job, wasn't it?

Mr. SCHURR. I have explained the reason——

Representative SUMNERS (interposing). If you felt that way about signing the name of a policyholder, why were you so concerned to find out whether he objected or not?

Mr. SCHURR. I don't understand.

Representative SUMNERS. If he didn't object, he didn't object and signed, and if he did object, you signed for him. Why didn't you sign them all? That is what you did in most instances, anyway, isn't it?

Mr. SCHURR. I didn't say that.

Representative SUMNERS. What I can't understand is why you troubled to go around over town to get the signatures of these people when you could so easily sign them yourself and had no conscientious scruples about it.

Mr. SCHURR. I did want to have them sign.

Mr. GESELL. You had to see these people anyhow in collecting your weekly debit, didn't you?

Mr. SCHURR. Yes; we have to see these people, either every week or every other week, and we certainly wanted to have them signed by the policyholder, and we would tell them whatever we told them,

open up a conversation, probably talk about business at the same time.

Representative SUMNERS. And if he didn't sign it you were going to sign his name anyhow?

Mr. SCHURR. I have already gone into that.

Senator KING. Can you remember a specific case where you asked the policyholder to sign and he refused to sign and gave his reason why he refused and then you signed his name subsequently?

Mr. SCHURR. Can I give you the name of such a party?

Senator KING. Yes.

Mr. SCHURR. No; I cannot.

Mr. DOUGLAS. I take it that is due to the fact that you would sign a ballot for another agent, and he would sign a ballot for you.

Mr. SCHURR. The agents would do that for each other.

Senator KING. What I am trying to get is, did you ever sign the name of any person after he had refused to sign the ballot at your request?

Mr. SCHURR. No; I didn't do that.

Senator KING. Then you sneaked it over into some other agent's pocket and told him to sign it, is that it?

Mr. SCHURR. Well, that's—

Senator KING (interposing). Did you do that?

Mr. SCHURR. I did, yes.

Representative WILLIAMS. Were you given as many ballots as you had policyholders in your territory?

Mr. SCHURR. No; only given a proportion. We were given a set amount, around 50 as far as I can recall, around that number.

Representative WILLIAMS. Then you were not supposed to see every policyholder.

Mr. SCHURR. That is right.

Mr. GESELL. Those letters of instruction with respect to the handling of this have already been placed in the record.

Mr. DOUGLAS. We are ready for the next witness, Mr. Chairman.

The CHAIRMAN. The witness may be excused.

(The witness, Edward Schurr, was excused.)

Mr. GESELL. The next witness is Mr. Bruno Silbiger.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SILBIGER. I do.

TESTIMONY OF BRUNO SILBIGER, AGENT, WEST END OFFICE, METROPOLITAN LIFE INSURANCE CO., NEW YORK CITY

Mr. GESELL. Will you state your full name, please?

Mr. SILBIGER. Bruno Silbiger.

Mr. GESELL. How do you spell it?

Mr. SILBIGER. B-r-u-n-o S-i-l-b-i-g-e-r.

Mr. GESELL. Are you employed by the Metropolitan Life Insurance Co. as an agent?

Mr. SILBIGER. I am.

Mr. GESELL. Out of what office do you work?

Mr. SILBIGER. I work out of West End, 135 West One Hundred and Twenty-fifth Street, New York City.

Mr. GESELL. Is that the same office Mr. Schurr works out of or another office?

Mr. SILBIGER. No; that is a different office.

Mr. GESELL. How long have you been employed by the company?

Mr. SILBIGER. Eight years in December, it is going to be 8 years in December.

Mr. GESELL. How many elections have you participated in?

Mr. SILBIGER. I have participated in three.

Mr. GESELL. Those were 1937, 1935, 1933?

Mr. SILBIGER. That is correct.

Mr. GESELL. Will you tell us the practice followed in your office with respect to the obtaining of policyholders' signatures on ballots and proxies?

Mr. SILBIGER. The ballots were given out by the manager one day and we got an approximate number of ballots, say, for instance, 40 to 50, and we were told to have them signed by the next week, and naturally the thing was considered more or less a joke, so we simply took the ballots, had them signed by a few policyholders, and the rest of the ballots were signed by agents.

Mr. GESELL. You mean that you followed the same practice Mr. Schurr did?

Mr. SILBIGER. Exactly.

Mr. GESELL. You would sign policyholders' names on other agents' ballots and vice versa?

Mr. SILBIGER. Yes. It was done by all the agents in the office.

Mr. GESELL. Was it done openly in the office?

Mr. SILBIGER. Quite openly, yes.

Mr. GESELL. In front of the manager?

Mr. SILBIGER. Not in front of the manager.

Mr. GESELL. Was it done in the office of the company?

Mr. SILBIGER. In the office of the company in view of the assistant manager.

Mr. DOUGLAS. In view of whom?

Mr. SILBIGER. The assistant manager—not exactly in view, but they knew about it because they used to kid us along, "Have you signed your ballots already?"

Mr. GESELL. Tell us a little more about that, Mr. Silbiger. You say you would be near an assistant manager and he would kid you about the fact that you and the other agents were signing the policyholders' names to the ballots without authority?

Mr. SILBIGER. Well, nothing was thought of it.

Senator KING. Answer the question.

Mr. SILBIGER. What is the question?

Mr. GESELL. My question was: Did some assistant manager in your office kid with you and the other agents about the fact that you were signing your policyholders' names to the ballots without authority?

Mr. SILBIGER. Yes.

Mr. GESELL. Can you name those assistant managers for us?

Mr. SILBIGER. Well, I believe there was one assistant manager by the name of Edward Cherman.

Mr. GESELL. Spell his name.

Mr. SILBIGER. C-h-e-r-m-a-n.

Mr. GESELL. Do you remember anyone else?

Mr. SILBIGER. Well, I couldn't remember the names of other assistant managers, but it was just done in a more or less kidding spirit around.

Mr. GESELL. Would you all get together and do it at the same time?

Mr. SILBIGER. No; we would just sit in the office and one agent used to come over to my desk and ask us to sign the name, sign the name Mary Jones, John Kennedy, or whatever it was, and we would sign it.

Mr. GESELL. When you came to work for the Metropolitan, was that a general practice in the office of the company?

Mr. SILBIGER. Well, when I came to the Metropolitan the first election I participated in was in 1933, and naturally I took it upon myself to have this filled out—I mean signed by the policyholders, but when I used to come to the office and see the agents doing this signing themselves, I said to myself, "Why should I do it?" So I have done the same thing.

Mr. GESELL. You mean when you first came there the first year you conscientiously went out to the policyholders and tried to get them to sign?

Mr. SILBIGER. Yes.

Senator KING. He got them to sign.

Mr. SILBIGER. It wasn't an easy job to sign them because most people objected for no good reason; they didn't want to bother signing because they didn't know what they were signing for; some of them were very leery about signing something they didn't understand.

Mr. GESELL. Many of them were illiterate and signed with an X? Is that not true?

Mr. SILBIGER. Yes; a good many of them signed with an X.

Mr. GESELL. And then when you came back to the office and saw the other agents signing policyholders' names to the ballots without bothering to approach the policyholders, you started to do the same thing?

Mr. SILBIGER. That's right.

Mr. GESELL. Why did the practice start, do you know?

Mr. SILBIGER. Why did the practice start? I couldn't tell you.

Mr. GESELL. Was any deadline put upon you as to when you should get these in?

Mr. SILBIGER. We had to return them within a week.

Mr. GESELL. Was that made very clear and very certain to you?

Mr. SILBIGER. Yes, sir; very clear.

Mr. GESELL. Were you supposed to use the company time in getting them signed, or was it your own time?

Mr. SILBIGER. It was always our own time, our time, of course.

Mr. GESELL. Was any compensation paid to you for getting them signed?

Mr. SILBIGER. No.

Mr. GESELL. Were any threats made to you about what would happen to you if you didn't get them signed?

Mr. SILBIGER. Not exactly. We were told if we didn't bring them in by a certain time we were disloyal.

Senator KING. By whom were you told that?

Mr. SILBIGER. The manager.

Senator KING. What was his name?

Mr. SILBIGER. Bendell.

Mr. GESELL. What is his first name?

Mr. SILBIGER. It just slipped my mind now—Leon Bendell.

Mr. GESELL. Can you tell us how many agents in your office there are?

Mr. SILBIGER. Well, at the present time we have 31 agents.

Mr. GESELL. How many of those agents have you seen doing this?

Mr. SILBIGER. Almost every one of them.

Mr. GESELL. You have seen every one in that office?

Mr. SILBIGER. I couldn't vouch for every one; so far as I could see, almost every one did so.

Mr. GESELL. Was there any conscientious objector who stood out like a sore thumb?

Mr. SILBIGER. No.

Mr. GESELL. So far as you could tell, everybody was doing it?

Mr. SILBIGER. Yes.

Mr. GESELL. Have you any idea as to how many of the total ballots and proxies from your office were signed that way?

Mr. SILBIGER. Oh, I would say about 80 percent.

Mr. GESELL. And were about 80 percent of yours signed that way?

Mr. SILBIGER. Yes.

Mr. GESELL. I have no further questions.

Mr. DOUGLAS. You are speaking of the elections of 1933, 1935, and 1937?

Mr. SILBIGER. That's right.

Mr. DOUGLAS. And about 80 percent of the ballots of your office—

Mr. SILBIGER (interposing). I can only say from my observation and from other agents' observation. I can only tell what I saw myself. I can't vouch for every agent that they had 80 percent signed.

Mr. DOUGLAS. So far as the ballots that were given to you and the other agents whom you knew, about 80 percent of those ballots were forged?

Mr. SILBIGER. That's right.

Mr. GESELL. I have no further questions.

Senator KING. How many persons' names did you sign in the last election?

Mr. SILBIGER. Oh, I can't tell you that. At random I can't give an exact figure.

Senator KING. How many ballots did you turn in?

Mr. SILBIGER. Approximately 45. I don't know the exact figure.

Senator KING. Did each agent have 45?

Mr. SILBIGER. These ballots were not counted.

Senator KING. Did each agent have 45?

Mr. SILBIGER. These ballots were not counted; we were given a bundle of ballots and it was supposed to be approximately 50.

Senator KING. For each agent?

Mr. SILBIGER. Yes, sir.

Senator KING. Then if there were 40 agents in your room there would be, then, 40 times 40 or 50 ballots. It would be over 800 ballots.

Mr. SILBIGER. If there was an office of 40 agents it would be about 1,600 ballots.

Senator KING. How many ballots were given you?

Mr. SILBIGER. We never counted the ballots. We took a bundle of ballots.

Senator KING. How many do you think?

Mr. SILBIGER. Approximately 50. I don't know, exactly.

Senator KING. Do you remember the name of a single policyholder whose name you forged?

Mr. SILBIGER. I don't remember.

Senator KING. Did you write it down?

Mr. SILBIGER. No; I did not.

Senator KING. Did you try to remember?

Mr. SILBIGER. Remember what?

Senator KING. The name or names of persons whose names you forged.

Mr. SILBIGER. I could not now remember.

Mr. GESELL. Isn't it a fact that each of these ballots has to be witnessed as well as signed?

Mr. SILBIGER. That's right.

Mr. GESELL. So that you have to have two signatures on each of them?

Mr. SILBIGER. That's right.

Mr. GESELL. Did you witness your own ballots yourself?

Mr. SILBIGER. That's right.

Mr. GESELL. And it was for that reason that you had someone else sign them?

Mr. SILBIGER. That's right.

Mr. GESELL. So that the handwriting of the policyholder, so-called, would not look to be the same as the handwriting of the witness?

Mr. SILBIGER. That's right.

Mr. GESELL. And for that reason you can't remember any particular policyholder's name, because you weren't signing the names of your own policyholders, but the names of other agents' policyholders.

Mr. SILBIGER. It is impossible to remember all these names. There are thousands of names, and it happened 2 years ago.

Senator KING. As I understood you, you had to collect from the policyholders, you visited them, the preceding witness stated, every week or every 2 weeks.

Mr. SILBIGER. Yes.

Senator KING. Visiting these policyholders every week or every 2 weeks, perhaps two or three hundred times during the 4, 5, or 6 years, you can't remember the name of a single one whom you visited, whose name you forged? Is that true, that you can't remember a single person whose name you forged?

Mr. SILBIGER. I want to clarify this thing. We have on our books approximately, say, three or four hundred families, approximately—I can't tell you exactly how many we have now. Out of that there are about 1,500 policyholders insured. I can't really remember 30 or 40 policyholders out of 1,500 who signed their names or whose names were signed. It isn't possible.

Senator KING. Let me put the question again. You visited the policyholders in your particular beat every week or every 2 weeks. That is right?

Mr. SILBIGER. That's right.

Senator KING. And you did that for several years?

Mr. SILBIGER. That's right.

Senator KING. And in visiting them you would give receipts, would you not?

Mr. SILBIGER. Yes, for ordinary insurance; that's right.

Senator KING. And you learned their names, of course.

Mr. SILBIGER. Yes.

Senator KING. You had their names?

Mr. SILBIGER. Yes.

Senator KING. And notwithstanding the fact that you visited them every week or every 2 weeks for 4, 5, or 6 years, and then forged the names of them—

Mr. SILBIGER (interposing). I didn't forge the names of any of my policyholders. I simply put names of other agents' policyholders on their ballots.

Mr. DOUGLAS. You didn't forge the names of your own clients, so to speak; you forged the names of the clients of another agent, whom you did not know personally.

Mr. SILBIGER. That's right.

Senator KING. Did you try to learn the names of those you did forge?

Mr. SILBIGER. We didn't attach any importance to do that.

The CHAIRMAN. How did you come to do this?

Mr. SILBIGER. Because I saw other agents doing it.

The CHAIRMAN. Did you have any conscientious scruples about doing it?

Mr. SILBIGER. The whole thing was presented to us in such a manner that it was of little importance as to who signed the ballots. Therefore every agent did the same thing.

The CHAIRMAN. Why did it seem to be of so little importance?

Mr. SILBIGER. It was a standing joke in the offices, when we received these ballots, to go and sign the ballots, that's all.

The CHAIRMAN. How was it expressed, as a joke?

Mr. SILBIGER. The manager used to come on the floor, give us these ballots, told us to go out and have them signed, so we did.

The CHAIRMAN. But you say it was a sort of standing joke. Why was it regarded as a joke?

Mr. SILBIGER. Because—I can't tell exactly why it was a joke. It was simply a matter of presenting the case to us. If the manager would have made an effort to tell us how important it was to have these ballots signed, perhaps we would have realized some sort of importance, but the way the thing was presented to us we simply took these papers, had them signed, and returned them.

The CHAIRMAN. You regarded it as a matter of no importance?

Mr. SILBIGER. Yes, we all did.

The CHAIRMAN. Did the manager know that you were doing this?

Mr. SILBIGER. I don't know. Perhaps he did. If he was an agent, perhaps he did.

The CHAIRMAN. I am just trying to find out from your own knowledge, did the manager of your office himself know of any case in which you had personally signed the name of a policyholder to another agent's ballot?

Mr. SILBIGER. Not to my knowledge.

Mr. DOUGLAS. Was it common practice in that office of yours?

Mr. SILBIGER. Absolutely.

Mr. DOUGLAS. You were not the only transgressor?

Mr. SILBIGER. I wasn't the only one.

Mr. DOUGLAS. You were merely following the custom or habit of that office?

Mr. SILBIGER. That's right.

Mr. GESELL. We have no further questions.

The CHAIRMAN. May I ask: You brought this witness here under subpoena, of course?

Mr. GESELL. Both this and the preceding one have appeared under subpoena.

The CHAIRMAN. They did not come as voluntary witnesses.

Mr. O'BRIAN. Did I understand that this witness signed his name as a witness to the forged signatures on his ballots?

The CHAIRMAN. Of course, Mr. O'Brian, I see the purpose of that question, and that is the reason I asked the examiner here as to whether or not this and the preceding witness had come here under subpoena or voluntarily. I know, of course, that these subpoenas were issued. I did sign subpoenas for a large number of witnesses. But I think it is only fair that the witness should know of his rights.

A witness can refuse to testify on the ground that his testimony might incriminate him. Then the committee may compel the witness so to testify, and when the witness is so compelled to testify then he is granted immunity.

Is it the desire of the committee that Mr. O'Brian, acting as attorney for the Metropolitan, shall be permitted to ask the question he has propounded to the witness?

Mr. DOUGLAS. I should think so, Mr. Chairman, if the witness has no objection to answering.

Mr. O'BRIAN. Did I understand you to say that when you signed your name you signed your name as a witness on the ballots where the signatures were forged by your fellow agents?

The CHAIRMAN. Bear in mind, Mr. Witness, I think in fairness to this witness, he is here on the subpoena by committee, he is not represented by counsel, and I feel that I must warn him that this might be a very serious matter of signing names as a witness to a false document.

Mr. SILBIGER. I refuse to answer that, then.

Mr. O'BRIAN. That is satisfactory.

Mr. GESELL. We have no further questions of this witness.

Mr. O'BRIAN. May I ask Mr. Gesell whether this man volunteered his testimony in the first place?

The CHAIRMAN. I have asked that question.

Mr. LINCOLN. If you will pardon me, Mr. Chairman, you asked if he was here under subpoena. The question is, Did he go to Mr. Gesell and his associates?

Mr. DOUGLAS. I do not think that it is proper to state in a public forum what the methods of investigation of the Securities and Exchange Commission are.

Senator KING. I think it is proper to ask this witness if he volunteered. I don't think there is any impropriety in that.

Mr. DOUGLAS. This witness is here under subpoena, Mr. Chairman.

Senator KING. I think it is a fair question, if he volunteered.

Mr. SILBIGER. Is that a question?

Senator KING. If you care to answer it.

Mr. SILBIGER. I was subpoenaed.

Mr. GESELL. I might say the first time I have seen this witness is on the stand here today.

The CHAIRMAN. Are there any other question? If not, the committee will stand in recess until 10 o'clock tomorrow morning.

(The witness, Bruno Silbiger, was excused.)

(Whereupon, at 4:30 p. m., a recess was taken until Thursday, February 9, 1939, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

THURSDAY, FEBRUARY 9, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:25 a. m., pursuant to adjournment on Wednesday, February 8, 1939, in the Caucus Room, Senate Office Building, Representative Hatton W. Sumners presiding.

Present: Senator King; Representatives Sumners (vice chairman), and Reece; Messrs. Henderson, Douglas, Lubin, Patterson, Peoples, Berge, and Frank; Senator Harry S. Truman, of Missouri.

Present also: Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

The VICE CHAIRMAN. Senator O'Mahoney is indisposed this morning and has asked me to preside.

Proceed, Mr. Gesell.

MR. JOHN LORD O'BRIAN. Mr. Chairman, in appearing in this hearing as counsel for the Metropolitan Life Insurance Co. I appreciate that I appear simply by courtesy of the Commission, and have no right of examination or cross-examination, but in that capacity I would like to call attention to the testimony given yesterday afternoon by the witness Silbiger, of the West End office in New York City, to the effect that the signing of policyholders' names, or forging of their names, was a more or less common practice in that office, and at least one assistant manager, a Mr. Edward Cherman, knew of that practice and, as I remember, joked about it.¹

Mr. Cherman, the assistant manager referred to, is here, and at the disposal of the committee, prepared to deny both of those statements; at a suitable time we would like to have him called and interrogated by the committee.

MR. DOUGLAS. Mr. Chairman, we have a considerable amount of evidence to produce on this matter. I think that if we could proceed at this time in an orderly way with the completion of the case that the Commission desires to present to this committee, we could at that time more intelligibly determine the extent to which additional witnesses might be called in rebuttal.

SENATOR KING. Mr. Chairman, I accord with that view. I think, however, that before the hearings are concluded, opportunity ought to be given to hear the person referred to by Mr. O'Brian. I suggest that we proceed as you desire.

The VICE CHAIRMAN. It would seem to the present occupant of the Chair that perhaps it would be well to proceed to put on, if there is any, additional testimony now, and then, as indicated by my colleagues,

¹ Supra, p. 1323 et seq.

there should be opportunity afforded before this aspect of the case is closed for testimony in rebuttal or explanation to be put on, to make the record complete.

Mr. GESELL. The first witness this morning is Mr. Earl Steele.

The VICE CHAIRMAN. Mr. Steele, have you been sworn?

Mr. STEELE. I don't believe so.

The VICE CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this matter being examined shall be the truth, the whole truth, and nothing but the truth; so help you, God?

Mr. STEELE. I do.

**TESTIMONY OF EARL STEELE, AGENT, PATERSON DISTRICT,
METROPOLITAN LIFE INSURANCE CO., PATERSON, N. J.**

Mr. GESELL. Mr. Steele, you are employed by the Metropolitan Life Insurance Co.?

Mr. STEELE. I am.

Mr. GESELL. In what capacity?

Mr. STEELE. As an agent.

Mr. GESELL. Out of what office do you work?

Mr. STEELE. The Paterson district in Paterson, N. J.

Mr. GESELL. Who is your manager?

Mr. STEELE. Mr. C. W. Cox.

Mr. GESELL. How long have you worked for that company?

Mr. STEELE. It will be 8 years this coming April.

Mr. GESELL. How many different elections have you participated in as an agent?

Mr. STEELE. Three, I believe.

Mr. GESELL. Will you tell us what the practice is with respect to obtaining proxies and ballots from the agents in your office.

Mr. STEELE. Well, the practice is around about the 1st of April, I believe, a number of ballots are usually placed in our mail boxes.

(Interruption during taking of photographs.)

Mr. GESELL. You were telling us, Mr. Steele, that sometime in April these ballots or proxies are put in your mail boxes. Is that what you said?

Mr. STEELE. That is right.

Mr. GESELL. Will you go on from there, please?

Senator KING. The mail boxes in the office?

Mr. STEELE. That is correct; and our management makes an announcement that the biennial election is about to take place and requests the agents to have these ballots signed and returned to the office within usually a week or 10 days from the time we get them. The first election that I participated in, having only a limited number of ballots, I thought that probably the best procedure would be to go to my larger policyholders who would probably be more interested in an election of this kind. I found, however, that that wasn't the case, as most of the people whom I approached didn't know any of the men who were running for directors and asked me why they should vote for somebody they didn't know, and so forth.

They also asked if there was any alternative if they didn't like the personnel, rather the set-up there, if they could vote for somebody else. I told them I didn't know the exact procedure if they wanted to vote for someone else, but I presumed that information could be

had. Nobody seemed particularly interested in finding out what that procedure might be. I became a little discouraged with my original plans and sought the advice of some of the older agents in the office. I found that many of the agents tried to duck the issue entirely of getting ballots signed, because it took up their time, and so on. Some of the ballots were actually thrown away, destroyed, and a good many of them were signed by agents right in the office.

Mr. GESELL. Do you mean by that that one agent would sign the policyholder's name to another agent's—

The VICE CHAIRMAN. The witness didn't say that.

Mr. STEELE. Well, your exception is correct; that is exactly what took place. In other words, the agent would present the name of the policyholder and some other agent would sign his name to that for that policyholder rather than go to that policyholder and explain the system of voting and carrying on an election. Most of the men figured that the present board of directors were going to be reelected anyway and no harm was done by simply carrying on the putting down of people's names themselves instead of going through the formality of having people actually do it themselves.

Mr. GESELL. Was that a general practice in the office?

Mr. STEELE. Quite general.

Mr. GESELL. Have you seen a lot of agents in the office doing it?

Mr. STEELE. Oh, yes.

Mr. GESELL. How many agents are there in the office?

Mr. STEELE. Well, we have about 50 agents in our office.

Mr. GESELL. How many of them would you say you have seen engaged in this practice?

Mr. STEELE. Well, over the period of time I have been there I have seen at least 30 men take part in that sort of thing.

Mr. GESELL. Was it done right in the office openly?

Mr. STEELE. Yes; it was done in the office and in the corridors leading to the office and in the adjoining washroom there.

Senator KING. In what?

Mr. GESELL. In the adjoining washroom. Was it ever done in the presence of the managers or assistant managers?

Mr. STEELE. I don't believe it was ever done in the presence of the manager, but I think most of the assistants knew what was going on.

Mr. GESELL. What do you mean, you think? What do you base that on?

Mr. STEELE. Well, men often would leave the fixing of the ballots go until the last day, and when it was announced that they had to be in that morning or that afternoon, sometimes there was a lot of scurrying around to get ballots signed up, and sometimes they were practically signed under the assistant manager's nose, whether they turned their back to it or what, I don't know, but they must have known what was going on, they couldn't help it.

Mr. DOUGLAS. It was common knowledge in the office?

Mr. STEELE. Oh, yes.

Mr. DOUGLAS. It was a very customary thing to do.

Mr. STEELE. It was general. Nobody took the thing seriously, or they didn't see any harm in it, and it was more or less regarded as something to do and get out of the way.

Mr. DOUGLAS. Of what elections are you speaking, of your own knowledge, the 1937 election?

Mr. STEELE. The 1937, 1935, and 1933.

Mr. DOUGLAS. And the practices that you have described took place at all of those elections?

Mr. STEELE. That is right.

Mr. DOUGLAS. What percentage of the ballots from your office would you estimate were forged?

Mr. STEELE. Oh, I would say roughly between 25 to 30 percent.

Mr. GESELL. Do I understand that when you came to the office, this practice was then going on?

Mr. STEELE. That is right.

Mr. GESELL. Did the men give any reason as to why they were engaged in the practice?

Mr. STEELE. Only as a time-saver.

Mr. GESELL. What do you mean, as a time-saver? Was there any urgency about getting these policyholders' ballots signed?

Mr. STEELE. There was when it was getting to the last minute, as it was on most occasions. I mean, men do the most pressing and important things first, and a detail of this kind which they regard as relatively not very important they let go to the last minute and then are often forced to sort of rush the thing through at the last minute.

Mr. GESELL. Who established this last minute, was there a deadline set by the managers and assistant managers?

Mr. STEELE. Of course the ballots have to be in the home office at a certain day, I understand, I don't know just what day it is, and for some reason or other they are usually let go to the last minute.

Senator KING. That is, the agents did?

Mr. STEELE. That is correct.

Senator KING. The ballots were handed out to the various departments, if that is the proper term, in Paterson, or elsewhere, how many days before they had to be in?

Mr. STEELE. As my memory serves me, usually a week or 10 days.

Senator KING. And you knew when the ballots came and you knew the time when they had to be returned to the home office.

Mr. STEELE. That is correct.

Senator KING. And you had then a week or 10 days within which to contact the policyholders within your respective field?

Mr. STEELE. That is right.

Senator KING. How many policyholders were there in your particular field with whom you dealt?

Mr. STEELE. About 2,000.

Senator KING. Do you have 2,000 that you have to contact every week or over two weeks?

Mr. STEELE. Not that often, no, but within the confines of my agency I had about 2,000 policyholders.

Senator KING. Would that be for the entire district in which there were 20 or 30, or were those persons you had to contact?

Mr. STEELE. That was just my personal agency.

Senator KING. And from your testimony, I deduce the fact that sometimes you didn't contact all of them, you had other duties, and toward the so-called deadline when you had to report, if you hadn't contacted all of them and gotten the signatures, then you and one or two other agents would—I will not use the word frame-up—you would arrange so the signatures would be written upon the ballots.

Mr. STEELE. That is correct.

Mr. GESELL. You stated, did you not, that it was common practice in the office, and not just one engaged in by one or two agents in the office?

Mr. STEELE. It was quite common.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. You say that these ballots were arranged in corridors, sometimes in the office, and sometimes in the adjoining washroom. Did you attend to any other business beside this in the washroom? I mean, was it a common thing on ballots, and so forth?

Mr. STEELE. No.

The VICE CHAIRMAN. The point I am getting at, why did you do this in the washroom, in a more or less secret place, if it was a more or less open custom?

Mr. STEELE. Well, I suppose some of the agents were a little squeamish about actually doing this, you might say right under the nose of their assistant managers.

The VICE CHAIRMAN. You wanted to make a little show of being sort of secret about it, is that the idea?

Mr. STEELE. I suppose you might put it that way.

Senator KING. Isn't it a fact that they were rather ashamed of their own conduct and they would slip into the washroom where the manager wouldn't see them?

Mr. STEELE. I suppose those were.

Mr. DOUGLAS. I think that is all, Mr. Chairman.

Dr. LUBIN. How many calls do you make a week on your regular rounds?

Mr. STEELE. On the average about 70, I believe.

Dr. LUBIN. Seventy a week?

Senator KING. I didn't get that number.

Mr. STEELE. About 70. It fluctuates, of course.

Dr. LUBIN. Have you ever found any antagonism on the part of your policyholders toward signing, refusing deliberately to sign?

Mr. STEELE. I don't know whether I would call it antagonism or not. I have had people refuse to sign on the grounds that they weren't well enough informed as to what they were signing for. I know I overcome objections of that kind sometimes by telling the people that their present Board of Directors were in favor of continuing the system of paying dividends, and so on, and naturally it was to their interest.

Dr. LUBIN. Do you know of any cases where any agents have attempted to insist that they be signed, or at least to persuade them to sign and thereby antagonized policyholders?

Mr. STEELE. I don't think that was done.

Dr. LUBIN. Was there any fear so far as you personally were concerned that if you did antagonize a policyholder you might lose him?

Mr. STEELE. I wouldn't antagonize a policyholder over an issue like that. [Laughter.]

Mr. GESELL. No further questions of this witness.

Senator KING. By the way, did any of the policyholders whom you contacted complain about the management of the company, that it was not being properly managed and they were dissatisfied with their policies, or were they satisfied with their policies and with the management so far as your contact with them indicated?

Mr. STEELE. I think so. You mean generally?

Senator KING. Yes.

Mr. STEELE. I think so.

Mr. GESELL. What do you mean—what kind of complaints did you say you received about the company?

Senator KING. He didn't say anything about complaints.

Mr. GESELL. I understood you to say so. Did you, Mr. Steele?

Mr. STEELE. About complaints?

Senator KING. You put that word into his mouth.

Mr. GESELL. I didn't mean to. Could we have that testimony read back, Mr. Chairman?

(Senator King's question and the witness' reply were read by the reporter.)

Mr. GESELL. It was Senator King who used the word "complaint."

Mr. O'BRIAN. Mr. Chairman, by your courtesy again, would it be proper to ask the committee to interrogate the witness as to the names of the assistant managers who knew about this practice?

Mr. DOUGLAS. I don't think the witness said of his own knowledge that the assistant managers knew.

The VICE CHAIRMAN. I will clear that up. If any of the assistant managers knew of this practice, will you state their names, if you know—the ones that you know knew of the practice?

Mr. STEELE. Well, I think they all knew about it.

The VICE CHAIRMAN. I didn't ask you what you thought. I asked you what you know, if you know. You have already testified as to the general practice, but what I am asking you now is whether or not you would be able to say, upon your responsibility, that specific assistant managers whom you can name knew of the practice.

Mr. STEELE. I would name them all. I would name them all, in that case.

The VICE CHAIRMAN. Name them, the ones that you know knew of it.

Mr. STEELE. The ones we have in our office now?

The VICE CHAIRMAN. No; the assistant managers who have been in your office during this period of service who knew of this practice.

Mr. STEELE. Well, all of the assistant managers at one time were agents, and of course the same situation existed when they were agents as now, I am quite sure, and for that reason they couldn't help but know what is going on.

The VICE CHAIRMAN. But what I am trying to get at, what counsel representing this company wants to know—and we think it is a proper thing for them to know—if you know, is: the names of the assistant managers whom you know, as distinguished from your own deductions.

Mr. STEELE. I wouldn't want to swear.

The VICE CHAIRMAN. You are swearing now, you see.

Mr. STEELE. I wouldn't want to swear that they positively knew. It is my impression that they know.

Senator KING. If it was such a common practice why did you go out into the washroom to sign these names? If it was so open and aboveboard, why did you go out into the washroom to do it?

Mr. DOUGLAS. I take it that was merely occasional, that going into the washroom wasn't the common practice.

Mr. STEELE. The common practice was to fill them out right in the office.

Representative REECE. Did anyone caution you against letting the assistant managers know what you were doing in that respect?

Mr. STEELE. No; I don't think so.

Mr. GESELL. Do you ever remember any of the assistant managers while they were agents signing ballots in the manner which you have just described?

Mr. STEELE. Not as a positive thing.

Mr. GESELL. No further questions.

Mr. O'BRIAN. I dislike to interrupt here. I am only doing it in the interest of accuracy. Could the witness name any of these 30 agents whom he says made a practice of this?

Mr. DOUGLAS. I think the number was over 50, was it not?

Mr. STEELE. About 50 men in the office, and the 30 that I referred to was an approximate number. I would venture to say that probably I saw more than that at various times—men who are no longer in the business, men who had come in the business and have since left.

The VICE CHAIRMAN. Unless this witness knows definitely that a given agent did this thing, the Chair wouldn't like to be responsible for having him put in the record his assumption of belief about it. I wouldn't like, as one member of the committee, to put in the name of a person because you think he probably does know about it as a general practice. If you do know definitely of a given person, and you saw him engaged in this practice, you may give that name to the committee.

Mr. STEELE. Well, nothing particular happened in connection with that, I mean—.

The VICE CHAIRMAN (interposing). I am not asking you to explain why you can or why you can't. If you can, why do it; but if you can't, don't.

Mr. DOUGLAS. Mr. Chairman, we are going to call a number of other witnesses.

The VICE CHAIRMAN. I know, but let him answer this question.

Mr. STEELE. I'd rather not mention one or two men's names I might not be positive of.

The VICE CHAIRMAN. You are right. You ought not to do it unless you are positive.

Mr. GESELL. The next witness is Mr. S. J. Bander.

The VICE CHAIRMAN. Do you solemnly swear that the testimony you are about to give shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. BANDER. I do.

TESTIMONY OF S. J. BANDER, AGENT, METROPOLITAN LIFE INSURANCE CO., SOMERVILLE, MASS.

Mr. GESELL. What is your full name, sir?

Mr. BANDER. Samuel J. Bander.

Mr. DOUGLAS. How do you spell that?

Mr. BANDER. B-a-n-d-e-r.

Mr. GESELL. Are you employed by the Metropolitan Life Insurance Co. as an agent?

Mr. BANDER. That is right.

Mr. GESELL. Out of what office do you work?

Mr. BANDER. Somerville, Mass.

Mr. GESELL. How long have you been in the employ of the company?

Mr. BANDER. Since August of 1923.

Mr. GESELL. How many elections have you participated in, Mr. Bander?

Mr. BANDER. Well, I would presume it was 23 or 25, or all of them since that time.

Mr. GESELL. Every other year since that time?

Mr. BANDER. That is right.

Mr. GESELL. Is the practice of signing ballots in your office similar to that testified to by the previous witness?

Mr. BANDER. That is right.

Mr. GESELL. In your office the agents sign the ballots for the policyholders without the policyholders' authority?

Mr. BANDER. In many cases.

Mr. GESELL. Is that a general practice in the office?

Mr. BANDER. It has been, sir.

Mr. GESELL. Have you engaged in it yourself?

Mr. BANDER. Well, directly, I would say yes.

Mr. GESELL. How many men are there in your office?

Mr. BANDER. Well, at the present time there is 38, but at one time we had as high as 60, I believe, around that, I wouldn't say exactly.

Mr. GESELL. How many of those people in your office would you say, agents in your office, engaged in this practice?

Mr. BANDER. Well, you can't watch every man, but I would say the majority that I have seen in there did the same thing.

Mr. GESELL. Did they do it openly in the office or was it done covertly?

Mr. BANDER. I should say most of the time it was done openly.

Mr. GESELL. Right in the office?

Mr. BANDER. That is right.

Mr. GESELL. In front of the managers and assistant managers?

Mr. BANDER. Well, I don't know if the managers and assistant managers have seen it, but I know it was done without hiding anything.

Mr. GESELL. If they had wanted to see it, they could have?

Mr. BANDER. I think if the assistant manager or the manager was inquisitive to see if those were done right, if they watched they could have seen the procedure go on that way.

Mr. DOUGLAS. Was it regarded as a secret among the agents?

Mr. BANDER. I don't believe so.

Mr. DOUGLAS. It wasn't treated as a very, very confidential matter?

Mr. BANDER. No.

Mr. GESELL. Do you know whether at any time since you have worked with the company any particular manager or assistant manager knew of this practice?

Mr. BANDER. I couldn't say whether he knew it or not.

Mr. GESELL. Did they ever say anything to you which indicated in any way that they did?

Mr. BANDER. No.

Mr. GESELL. You have worked in different offices, have you not?

Mr. BANDER. No, sir; I worked in the same office for almost 16 years.

Mr. GESELL. Was that practice going on in the office when you first came there?

Mr. BANDER. That is right.

Mr. GESELL. How did you happen to start, Mr. Bander?

Mr. BANDER. Well, I started with a case—those ballots were handed down or usually put in the mail boxes with the demand that those ballots be turned in at a certain time. The whole ballots, as they were, were very flimsy, done in such a cheap way, so if I was to present them to a policyholder it would more incriminate the company than do them good. In other words, let me explain, gentlemen, those ballots are printed on the cheapest paper ever possible, and I want to state right here, if you will allow me, that the Metropolitan Life Insurance Co. certainly puts out some marvelous printing in all other matters.

Some of you gentlemen possibly have come across it. But those ballots were done in such a poor way, on paper that is used for purposes that I wouldn't want to mention here. Those were the ballots, little gray cheap paper that you wouldn't want to write on here for scrap paper.

The VICE CHAIRMAN. That is enough of that; we have a pretty fair idea about that.

Mr. BANDER. Now if I were to present this to a policyholder which had a lot of respect for me and the company, I think it would be very—well, the respect would be lost, I should say, and therefore I wouldn't take them out in the field to sign them.

Mr. DOUGLAS. This will be just an estimate on your part, but give us the best estimate of the percentage of ballots out of your office which were forged, the average percentage.

Mr. BANDER. Percentage of ballots that were——

Mr. DOUGLAS (interposing). Forged.

Mr. BANDER. Well, I couldn't say exactly, it would be pretty hard to say because usually a man was given either thirty or forty or fifty ballots, about that number. To say exactly would be taking a lot of liberty in making a statement like that.

Mr. DOUGLAS. Approximately, would it be less than half or more than half?

Mr. BANDER. If I would say about 20 or 30 percent it would be a fair estimate.

The VICE CHAIRMAN. Twenty or 30 percent of names signed that were not authorized, you mean?

Mr. BANDER. That is right.

Senator KING. That is, the paper wasn't presented to enough of them to get 70 percent signed? Is that right?

Mr. BANDER. I couldn't say that, exactly.

The VICE CHAIRMAN. Why do you want to fool around getting those 70 percent when you could just go in and sign them? Why did you bother about getting anybody if you could do it so easily the other way?

Mr. BANDER. Personally I want to state right here that I have never had any policyholders outside of my own immediate family sign those ballots, and this is a true statement, for the last 16 years, I never took a ballot to any policyholder with the exception of my very close friends and my relatives. The reason why I took it to them was because it was demanded by the manager that those ballots be returned at a given date and I could not, you might say, cross it because the way we work it is just a matter of do as you are told or else.

The VICE CHAIRMAN. It looks like you could easily get away with forging the kinfolks' names to a ballot if you could a stranger's.

Mr. BANDER. Personally I don't think I forged any ballots; the only thing I ever did in the office was ask some of the agents to sign ballots for me.

The VICE CHAIRMAN. You got them to sign yours.

Mr. BANDER. That is right, in their own name; in other words, they vote for themselves, maybe five, six, ten times, if you call that forgery I don't know, but the man—for instance if I was an agent and the other members approached me and would say, "Well, will you fill out some ballots?" I would sign my name to the ballot.

The VICE CHAIRMAN. How many times?

Mr. BANDER. Possibly two or three time, but I wouldn't sign anybody else's name to it.

The VICE CHAIRMAN. You never did sign anybody else's name?

Mr. BANDER. No, sir.

The VICE CHAIRMAN. I think we are getting something rather interesting and if you gentlemen will leave me alone we will see what we can develop. Was that the custom in the office usually of these agents? Did they sign the names of policyholders or did they sign their own names?

Mr. BANDER. Well, I couldn't—

The VICE CHAIRMAN (interposing). Several times?

Mr. BANDER. I couldn't say in other cases but I know in my case the agent would sign his own name several times and put a policy number on there, in other words the policy number would be fictitious, it would not be the right one. If the home office would check it they would find that this was not true.

The VICE CHAIRMAN. And the custom would be that you would receive a bunch of forty or fifty ballots put in the mail to each of the agents and was the custom with reference to the other agents the same as your own custom insofar as you know, or did they sign the names of policyholders without authority?

Mr. BANDER. I really couldn't say, sir. I don't know what the other agents did. I know that the ballots were signed in the office. Whether or not the agent wrote his own name or wrote somebody else's I could not honestly say.

The VICE CHAIRMAN. What is your opinion about it?

Mr. BANDER. My opinion was everything done that it shouldn't be done. Does that answer the question?

The VICE CHAIRMAN. Well, it goes pretty far toward answering it. What I am trying to find out is, if you can help us on it, what the practice was in your office with reference to these ballots which the policyholder did not himself vote, was the name of the agent signed or did the agent sign the name of some policyholder, insofar as you know?

Mr. BANDER. As far as I know I couldn't definitely state that. I could state in my own case, as I told you before, that I had agents sign their own name on the voting blank, you might call it, for me—signed several times.

The VICE CHAIRMAN. Would you get several agents to help you out, several different agents to help you out with your batch of ballots?

Mr. BANDER. That is right.

The VICE CHAIRMAN. About how many agents would you probably use in getting your own batch of forty or fifty ballots signed?

Mr. BANDER. I should say fifteen or twenty.

The VICE CHAIRMAN. You would just kind of go around among them.

Mr. BANDER. That is right.

The VICE CHAIRMAN. When you were doing that did they ask you to help them out, too, and sort of cooperate?

Mr. BANDER. That is right, exactly the same way.

The VICE CHAIRMAN. So fifteen or twenty of you working together helped each other to get your ballots signed.

Mr. BANDER. That is right.

The VICE CHAIRMAN. But so far as you know none of those ballots had the names of any policyholders other than the agents who may have happened to be policyholders.

Mr. BANDER. That is right.

The VICE CHAIRMAN. I think we have got that clear.

Mr. GESELL. Who was your manager from 1926 to 1938?

Mr. BANDER. Mr. Martens.

Mr. GESELL. What was his first name?

Mr. BANDER. William Martens.

Mr. GESELL. I have no further questions.

Mr. JOHN LORD O'BRIAN. Do you mind asking the witness if that is the kind of proxy and ballot he signed?

The VICE CHAIRMAN. That is a proper question.

Mr. GESELL. Is this the type of ballot and proxy?

Mr. BANDER. That is right; and sometimes it was even cheaper paper than this.

Mr. GESELL. I might say for the record that samples of the proxy and ballot are already in evidence.¹

The VICE CHAIRMAN. If it is desired, we can put that particular one in and have it marked as an exhibit.

Senator KING. You call that bad paper?

Mr. BANDER. Not this one.

Mr. GESELL. No further questions.

The VICE CHAIRMAN. If there is no objection, this may be marked as a proper exhibit.

(The sample of policyholder's proxy and official ballot were marked "Exhibit No. 251" and are on file with the committee.)

The VICE CHAIRMAN. I think we might want that identified a little better. Has the witness identified that?

Mr. GESELL. Yes, he has.

(The witness, Mr. Bander, was excused.)

Mr. GESELL. The next witness is Mr. Samuel Leshan.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. LESHAN. I do.

¹ See "Exhibit No. 217", appendix, p. 1544.

**TESTIMONY OF SAMUEL LESHAN, AGENT, DORCHESTER OFFICE,
METROPOLITAN LIFE INSURANCE CO., BOSTON, MASS.**

Mr. GESELL. What is your full name?

Mr. LESHAN. Samuel Leshan.

Mr. GESELL. How do you spell it?

Mr. LESHAN. L-e-s-h-a-n.

Mr. GESELL. Are you employed by the Metropolitan Life Insurance Co?

Mr. LESHAN. I am.

Mr. GESELL. In what capacity?

Mr. LESHAN. As an agent.

Mr. GESELL. How long have you been employed?

Mr. LESHAN. Since May 1935.

Mr. GESELL. Out of what office do you work?

Mr. LESHAN. Dorchester, Boston.

Mr. GESELL. Is that the same office Mr. Bander works out of, or a different office?

Mr. LESHAN. A different office.

Mr. GESELL. Is the practice with respect to obtaining policyholders' signatures on ballots and proxies the same as that followed in Mr. Bander's office?

Mr. LESHAN. Not exactly.

Mr. GESELL. Will you tell us what the practice is in your office?

Mr. LESHAN. The practice in my office has been to exchange the signatures of the agents.

Senator KING. I didn't understand.

Mr. LESHAN. The practice in my office has been to exchange signatures of policyholders by agents.

Mr. GESELL. You mean one agent would sign the names of another agent's policyholders to the ballots?

Mr. LESHAN. Yes, sir.

Mr. GESELL. And vice versa.

Mr. LESHAN. Yes, sir; without corresponding policy numbers.

Mr. GESELL. And without the authority of the policyholder?

Mr. LESHAN. I wouldn't say that exactly.

Mr. GESELL. What do you mean by that.

Mr. LESHAN. That the policyholders did not know what it was about and they refused to sign them. Presuming you were a policyholder and I presented a ballot to you and said, "Sign it," and you didn't have the time and you refused to sign it, what would I do?

Mr. GESELL. You mean the policyholder didn't know anything about it at all.

Mr. LESHAN. Of course not.

Mr. GESELL. Was that practice followed in the case of the 1935 election, or were you there at that time?

Mr. LESHAN. I don't remember the '35 election; I remember the '37.

Mr. GESELL. Was it followed in the '37 election?

Mr. LESHAN. Yes, sir.

Mr. GESELL. Was it a general practice in the office?

Mr. LESHAN. Yes, sir.

Mr. GESELL. Was it engaged in secretly or openly in the office?

Mr. LESHAN. Openly.

Mr. GESELL. How many men are there in the office?

Mr. LESHAN. Thirty-two.

Mr. GESELL. How many of those men would you say participated in this practice?

Mr. LESHAN. Thirty.

Mr. GESELL. Who were the two men who didn't?

Mr. LESHAN. Mr. Carroll and Mr. Paris.

Mr. GESELL. Are they the managers?

Mr. LESHAN. No, sir; they are agents.

Mr. GESELL. Everyone else did it?

Mr. LESHAN. Yes, sir.

Mr. GESELL. Was it done in the presence of the assistant managers?

Mr. LESHAN. Yes, sir.

Mr. GESELL. Do you know whether the assistant managers knew it was going on?

Mr. LESHAN. If they didn't—

(The remainder of the answer was inaudible.)

Mr. GESELL. Do you know whether the assistant managers knew of this practice?

Mr. LESHAN. They must have known.

Mr. GESELL. What makes you say that?

Mr. LESHAN. The ink wasn't dry.

Mr. GESELL. You mean you would turn in ballots and proxies—

The VICE CHAIRMAN (interposing). Wait a minute. Can't you use language we can understand? What do you mean?

Mr. LESHAN. The company did not allow the time to have the ballots taken care of in the appropriate way; therefore we had to present our reports in the morning, to present the ballots, we had to sign them right there and then; the ink wasn't dry.

Senator KING. How many days do you have?

Mr. LESHAN. Five to ten.

Senator KING. You had 5 to 10 days?

Mr. LESHAN. Yes, sir.

Mr. GESELL. And you would sign them on the last day and turn them in to the assistant managers before the ink was dried?

Mr. LESHAN. No, sir; we signed them daily.

Mr. GESELL. And turned them in before the ink was dry?

Mr. LESHAN. Yes, sir.

Mr. GESELL. And why were they turned in daily? Was the company making reports?

Mr. LESHAN. In a way.

Mr. GESELL. What do you mean, in a way?

Mr. LESHAN. The manager would take a report every morning.

Mr. GESELL. As to how many you had gotten?

Mr. LESHAN. Yes, sir.

Mr. GESELL. Do you know whether or not the manager knew about it?

Mr. LESHAN. Definitely, no; but there is no question he did know.

Mr. GESELL. You mean you don't know of your own knowledge whether he knew or not?

Mr. LESHAN. I could not state definitely, because I could not prove it definitely.

Mr. GESELL. What is the name of your manager?

Mr. LESHAN. P. J. Craffey.

Mr. GESELL. What are the names of the assistant managers?

Mr. LESHAN. Mr. Green, Mr. Purcell, Mr. Abrams, and Mr. Lynn.

Senator KING. Do you have such a large number of assistant managers in that small office? You have given 4 or 5 names.

Mr. LESHAN. Yes, sir.

Senator KING. Are there that number?

Mr. LESHAN. There are approximately nine agents to a staff, to an assistant manager.

Mr. GESELL. You mean that each group of nine agents has an assistant manager over him, and one manager over all the assistants?

Mr. LESHAN. Yes, sir.

Mr. DOUGLAS. What percentage of the ballots going out of your office in 1937 election would you estimate were forged?

Mr. LESHAN. My personal opinion would be about 98 percent.

Mr. GESELL. Were any of these assistant managers previously salesmen, do you know?

Mr. LESHAN. Yes, sir; they had to be in order to become assistant managers.

Mr. GESELL. A man becomes an assistant manager usually from the ranks of the salesmen?

Mr. LESHAN. Usually.

Mr. GESELL. Have any of these assistant managers been salesmen while you were with the company?

Mr. LESHAN. No, sir.

Mr. GESELL. I have no further questions.

Senator KING. Did you sign the names of any individuals on those ballots?

Mr. LESHAN. Yes, sir; you mean policyholders.

Senator KING. Did you sign the names of policyholders?

Mr. LESHAN. Well, any policyholder.

Senator KING. Did you sign the name of any policyholder?

Mr. LESHAN. Yes, sir.

Senator KING. Give me the name of any policyholder whose name you signed.

Mr. LESHAN. I cannot remember that.

Senator KING. You can't do that?

Mr. LESHAN. No, sir; there are over a thousand names, I believe.

Senator KING. I understood you to say you had 50 ballots.

Mr. LESHAN. We don't discriminate in the names we chose; we chose any name in the book.

Senator KING. You had only 45 or 50 ballots for your section?

Mr. LESHAN. Yes, sir.

Senator KING. How many of those ballots would you have; would you have 45?

Mr. LESHAN. About 45 to 50.

Senator KING. Now, can you remember the name of a single person whose name you forged?

Mr. LESHAN. No, sir; I do not choose the names, I just pick them at random.

Senator KING. And you don't remember the name?

Mr. LESHAN. No, sir; they were not the names of my debit, they were the names in the adjoining debit. I do not sign my own ballots. I sign the ballots of the next agent and he signed mine in turn, that was the procedure.

Senator KING. Where did you find the names to sign on the ballots of some of the agents that were adjoining you?

Mr. LESHAN. The other adjoining agent would copy down the name on the top, I believe, and I would just write it in, copy it at the bottom, and return it.

Senator KING. You signed the name at the bottom?

Mr. LESHAN. That is right.

Senator KING. Your own name or the name at the top of the ballots?

Mr. LESHAN. The man's name at the top of the ballots.

Senator KING. If John Jones' name was at the top of the ballot, you would sign John Jones' name at the bottom.

Mr. LESHAN. Yes, sir.

Senator KING. You knew then you were committing a forgery.

Mr. LESHAN. No, sir.

Senator KING. You knew you were signing somebody's name you were not authorized to sign, didn't you?

Mr. LESHAN. No, sir. If I gave you a piece of paper and put the name at the top and asked you to sign at the bottom, and if you were a friend of mine, wouldn't you sign it? [Laughter.]

Senator KING. No; I wouldn't. Do I understand that you were there as a representative of the company?

Mr. LESHAN. No, sir; there was no——

Senator KING (interposing). Do I understand you were there representing the company?

Mr. LESHAN. In that ballot?

Senator KING. Yes.

Mr. LESHAN. Not directly.

Senator KING. You were an agent of the company, weren't you?

Mr. LESHAN. Yes, sir; but there was no direct advice given as to the procedure in signing those ballots.

Senator KING. Did you feel that you were at perfect liberty to sign any person's name on those ballots?

Mr. LESHAN. Yes, sir.

Senator KING. And that was your conception of your duty to your employer, was it?

Mr. LESHAN. The instruction was not passed to me on which method to take on which to have ballots signed.

Senator KING. Did you read the instructions on the ballot?

Mr. LESHAN. Yes, sir.

Senator KING. That is all.

Mr. DOUGLAS. It was common practice in your office to do that?

Mr. LESHAN. Yes, sir.

Mr. DOUGLAS. And that was a practice that was in existence at the time you came?

Mr. LESHAN. Evidently.

Mr. DOUGLAS. As far as you know it wasn't just started in 1937?

Senator KING. How would he know what the practice was before?

Mr. DOUGLAS. I am asking him if as far as he knows this was started in 1937, or whether or not it was his impression that it had been going on prior to that time.

Mr. LESHAN. Personally, I did not start that procedure.

Mr. DOUGLAS. You fitted yourself into the custom of an office?

Mr. LESHAN. I followed the process the other agents were going through.

Mr. GESELL. No further questions.

(The witness, Mr. Samuel Leshan, was excused.)

Mr. GESELL. The next witness is Mr. D. A. Pettinelli.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give in this case will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PETTINELLI. Yes, sir.

TESTIMONY OF DOMINIC A. PETTINELLI, AGENT, LEAGUE ISLAND DISTRICT, METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.

Mr. GESELL. What is your full name, sir?

Mr. PETTINELLI. Dominic A. Pettinelli—P-e-t-t-i-n-e-l-l-i.

Mr. GESELL. Are you employed by the Metropolitan?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. In what capacity?

Mr. PETTINELLI. As an agent.

Mr. GESELL. Out of what office do you work?

Mr. PETTINELLI. League Island district, Philadelphia.

Mr. GESELL. Philadelphia, Pa.?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. Is the practice in your office the same as the practice in the offices concerning which the previous agents have testified?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. Is it the practice in your office to exchange ballots among the agents and for the agents to sign policyholders' names to those ballots?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. Was that practice in effect in your office when you came to work?

Mr. PETTINELLI. I went to work with the Metropolitan in the year of 1936 and the week of June 29. When I heard that there was an election coming off, I was looking forward to a great event. I thought it was something very—

Senator KING (interposing). Answer his question. What was the practice?

Mr. GESELL. Tell us what was the practice.

Mr. PETTINELLI. Well, the practice was that the ballots were distributed to the agents by assistant managers, and they were requested to take the ballots out and get them signed by the policyholders. So naturally when I was given the ballots, I went out on my debit and asked people to sign the ballots. In many cases, as a matter of fact, at that time my debit was a 98 percent foreign debit.

Senator KING. I didn't get that.

Mr. GESELL. What do you mean by foreign debit?

Mr. PETTINELLI. Italian people, and most of them, naturally, in many cases, they didn't know what they were signing, and in many cases people had never heard of the company having an election, and when the ballot was presented to them, they kind of resented it because they didn't know what they were signing for. In other instances people didn't know how to write their name. They made cross marks, and naturally they weren't going to attach a cross to something that they didn't know what it was.

Mr. GESELL. They couldn't read, in other words.

Mr. PETTINELLI. Positively, they couldn't.

Senator KING. They could perhaps read the Italian language but not the English, is that what you mean?

Mr. PETTINELLI. That is right.

Mr. DOUGLAS. The ballots were in English.

Mr. PETTINELLI. Positively.

Mr. GESELL. So what happened after that.

Mr. PETTINELLI. So the next morning when I first was given the ballots, I took in as many as I had signed by policyholders, and naturally an agent's time is limited. He has no time control; he must go out and do a day's work and with all that he had to get these ballots signed, so naturally we didn't have very much time to get all our ballots signed, and one morning when I was sitting there, the first thing I know, I saw some ballots stuck in front of me, so a man said, "Go ahead and sign them for me."

Senator KING. Was he an agent?

Mr. PETTINELLI. Yes, sir. So the first thing you know ballots were floating all over the office.

Mr. GESELL. And you saw then it was the practice in the office for the agents to do the signing themselves?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. And was that practice continued in the following elections?

Mr. PETTINELLI. It only took place in the one election in 1937.

Mr. GESELL. That is the only one you have been in?

Mr. PETTINELLI. Yes.

Mr. GESELL. Was it the general practice in the office for you to sign that?

Mr. PETTINELLI. Yes, sir.

Mr. DOUGLAS. What percentage of the ballots going out of your office in that election would you estimate were forged?

Mr. PETTINELLI. Why, I should say the majority.

Mr. DOUGLAS. Over 50 percent?

Mr. PETTINELLI. Positively.

Mr. GESELL. How many men were working in your office?

Mr. PETTINELLI. At that time there were approximately 46 men.

Mr. GESELL. Was any of this signing done in the presence of the assistant managers?

Mr. PETTINELLI. Well, the assistant managers were in the agents' room.

Mr. GESELL. When the signing was going on?

Mr. PETTINELLI. Yes, sir.

Mr. GESELL. Do you know whether or not they saw what was going on?

Mr. PETTINELLI. That I can't say.

Mr. GESELL. What about the manager?

Mr. PETTINELLI. The manager was not present. He naturally was in his office.

Mr. GESELL. How many assistant managers are there in the office?

Mr. PETTINELLI. Five.

Mr. GESELL. I have no further questions.

Senator KING. Did you sign your name to the ballot?

Mr. PETTINELLI. Yes; I did.

Mr. DOUGLAS. I thought you said you signed the policyholder's name.

Mr. PETTINELLI. Well, naturally, you sort of tripped me there. I signed for other agents the names of policyholders that they had given me to sign.

Senator KING. Do you sign your own name, that is what I mean?

Mr. PETTINELLI. I did, because I am a policyholder also.

Senator KING. How many policies do you have?

Mr. PETTINELLI. I have—

Senator KING (interposing). Your own, I mean.

Mr. PETTINELLI. I have one of my own.

Senator KING. Any members of your family?

Mr. PETTINELLI. Yes, sir.

Senator KING. Did they sign?

Mr. PETTINELLI. No, sir.

Senator KING. Do you sign their names?

Mr. PETTINELLI. Yes, sir.

Senator KING. You signed your own name and signed the names of the members of your family who hold policies?

Mr. PETTINELLI. Yes, sir.

Senator KING. You voted the ticket then?

Mr. PETTINELLI. Yes, sir; I had no alternative.

Senator KING. You didn't put up any kick, if I may use the language of the street, against the ticket, against the officers on the ticket?

Mr. PETTINELLI. No; it was hopeless, no; naturally I didn't.

Senator KING. Were you satisfied with the management?

Mr. PETTINELLI. Was I?

Senator KING. Yes.

Mr. PETTINELLI. Certainly not.

Senator KING. You were working for it?

Mr. PETTINELLI. Yes, sir.

Senator KING. Still working for it?

Mr. PETTINELLI. Yes, sir.

Mr. DOUGLAS. Just for purposes of clarification, you signed to these ballots not your name but the names of policyholders?

Mr. PETTINELLI. Yes, sir.

Senator KING. Then I misunderstood that you signed your own name.

Mr. PETTINELLI. When ballots were given to me by other men, I signed the names of policyholders they presented to me to sign.

Mr. GESELL. You did both, in other words.

Mr. PETTINELLI. Yes, sir.

Senator KING. Signed your name and signed the names of policyholders?

Mr. PETTINELLI. Yes, sir.

Senator KING. Did you sign your name more than once as a policyholder?

Mr. PETTINELLI. No, sir.

Senator KING. Then your name, as a policyholder, is only on one ballot?

Mr. PETTINELLI. Because I have only the one policy on myself.

Senator KING. But did you sign your name for policies that you didn't hold?

Mr. PETTINELLI. No, sir.

Mr. GESELL. In other words, you had one valid ballot in all of those, the one you signed yourself.

The VICE CHAIRMAN. I think that is pretty clear.

Mr. GESELL. No further questions.

Dr. LUBIN. For the purpose of the record, will you just describe what you mean when you talk about your debit?

Mr. PETTINELLI. A debit is consisted of approximately—the average debit has approximately 1,200 policyholders. The agent must go out and enter into about 300 homes to make his collections. He must collect his debit in 4 days, and with all that he must handle his detail work; that is, death claims, cash surrenders, and any correspondence that comes in from the home office. If anyone writes in to the home office asking any information in reference to their policies, or something of that nature, the agent must go out and contact the policyholder and get whatever information the policyholder would like to know, and naturally in many instances he has to call back at the homes two or three times within the week in order to make his collection, so naturally his time is limited, and I think that that is the main purpose, that is the reason why so many of the ballots are signed amongst the agents, because of the pressure and the limit of time.

Dr. LUBIN. You say you have 300 families in an average debit which you must visit once a week?

Mr. PETTINELLI. Yes, sir.

Dr. LUBIN. This means you must average about 50 calls a day?

Mr. PETTINELLI. I beg your pardon.

Dr. LUBIN. How many calls would you average a day?

Mr. PETTINELLI. Well, I will say about 75 calls, on the average.

Dr. LUBIN. Have you any idea as to about what the average size of these individual policies on your own debit?

Mr. PETTINELLI. The average size? Well, that is hard to tell, because most of it, the largest share of the policyholders, are what is known as industrial policyholders. They are the policies that are paid on a weekly basis, and the debit that I had at that time, they had approximately 900 industrial policies and about 150 ordinary policyholders; that is, policies that were paid on a monthly basis.

Dr. LUBIN. Have you any idea as to what the average size of those industrial policies, the face value?

Mr. PETTINELLI. The face value of the policies, the average? That is hard to tell.

Mr. GESELL. Many people on your debit are children, are they not?

Mr. PETTINELLI. Oh, yes; that also includes children.

Mr. GESELL. Many of the policyholders; and many of them are also illiterate?

Mr. PETTINELLI. Yes.

Mr. GESELL. Or at least some of them.

Mr. PETTINELLI. Positively.

Senator KING. You mean in the English language. I don't want to concede that in the language of their own country they were illiterate.

Mr. PETTINELLI. They were in the English language, some of them, but the majority of them were not.

Senator KING. The majority of your clients were Italians, were they?

Mr. PETTINELLI. Do you wish to let me give you an example?

Senator KING. I was rather opposing the view that they are illiterate.

Mr. PETTINELLI. They were in the English language.

Senator KING. But they understood the Italian language?

Mr. PETTINELLI. Positively.

Senator KING. You wrote policies, didn't you?

Mr. PETTINELLI. I certainly did.

Senator KING. When you wrote policies among those people they were your clients; did you explain to them what the policy was and what the company was, where it was?

Mr. PETTINELLI. Yes, sir.

Senator KING. Explained the policy as best you could and told them they had elections from time to time?

Mr. PETTINELLI. No, sir.

Senator KING. You didn't tell them that?

Mr. PETTINELLI. No, sir.

Senator KING. On the receipts you obtained or gave, was it stated that they had elections?

Mr. PETTINELLI. Yes.

Senator KING. That's all.

Mr. GESELL. No further questions.

The next witness is Mr. Samuel Brodis.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRODIS. I do.

Mr. GESELL. What is your name?

**TESTIMONY OF SAMUEL U. BRODIS, AGENT, LOGAN OFFICE
METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.**

Mr. BRODIS. Samuel U. Brodis.

Mr. GESELL. How do you spell it?

Mr. BRODIS. B-r-o-d-i-s.

Mr. GESELL. Are you employed by the Metropolitan?

Mr. BRODIS. Yes, sir.

Mr. GESELL. Out of what office do you work?

Mr. BRODIS. Logan, Philadelphia.

Mr. GESELL. Is that the same office as the previous witness?

Mr. BRODIS. No, sir.

Mr. DOUGLAS. Did you say "no" or "yes?"

Mr. BRODIS. No.

Mr. GESELL. How long have you been employed by the company?

Mr. BRODIS. Twenty years.

Mr. GESELL. Since 1919?

Mr. BRODIS. February 3, 1919.

Mr. GESELL. Have you participated in every election which has been held since that time?

Mr. BRODIS. No, sir.

Mr. GESELL. How many have you participated in?

Mr. BRODIS. Four.

Mr. GESELL. Which four did you participate in?

Mr. BRODIS. From 1919 to 1925.

Mr. GESELL. Since that time you have not participated in any?

Mr. BRODIS. No, sir.

Mr. GESELL. Why is that?

Mr. BRODIS. Because I was an assistant manager.

Mr. GESELL. Are you an assistant manager now?

Mr. BRODIS. No, sir.

Mr. GESELL. How long were you an assistant manager?

Mr. BRODIS. Eleven and one-half years.

Mr. GESELL. Will you tell us what the practice is in your office with respect to the signing of the proxies and ballots?

Senator KING. What office does he hold now?

Mr. GESELL. He is now an agent.

Mr. BRODIS. The clerk gives out the ballots to the agents with instructions to have them signed within 10 days, somewhere around a week or 10 days. What the proxies were I did not see, because as an agent I never signed, never forged any signature. I used to get them all signed by the policyholders. When I complained to the brother agents at that time that it was so hard to get the policyholders to sign them because they don't trust, they don't know what it is all about, and so on, they laughed at me.

They said, "You don't know how the easiest way is to get out of that, and here is the way we do it." They showed me then how to sign the signatures.

Mr. GESELL. Is it a common practice in the office to get the signatures that way?

Mr. BRODIS. Since 1926 I did not see it.

Mr. GESELL. But before 1926 you did?

Mr. BRODIS. When I was sitting with the agents together I did see it, but as an assistant manager I shut my eyes.

Mr. GESELL. How many agents are there in the office?

Mr. BRODIS. Forty-nine.

Mr. GESELL. While you were assistant manager did you talk with any of the other assistant managers about the practice engaged in in signing ballots?

Mr. BRODIS. No, sir; we avoided that question.

Mr. GESELL. What do you mean by that?

Mr. BRODIS. We didn't want to discuss that matter.

Mr. GESELL. I have no further questions of this witness.

Mr. DOUGLAS. When you signed in the period prior to 1926, did you sign your name to the ballot or did you sign the names of policyholders to the ballots?

Mr. BRODIS. The policyholders signed their names on the ballots. I never practiced this forgery, what you call it.

Mr. DOUGLAS. As respects the practices of other agents that you know about during that period, did they sign their names or did they sign policyholders' names?

Mr. BRODIS. They have signed the policyholders' names.

Mr. DOUGLAS. And that practice was going on during the first election in which you participated?

Mr. BRODIS. The first election I didn't know.

Mr. DOUGLAS. You learned about it after the first election?

Mr. BRODIS. After the election I learned.

Mr. DOUGLAS. What percentage of the ballots during the period in question would you estimate were forged in that manner?

Mr. BRODIS. I couldn't tell you. I didn't participate, so I don't know.

Mr. PATTERSON. Let me ask you a question. You are now an agent?

Mr. BRODIS. Yes, sir.

Mr. PATTERSON. You were an assistant manager?

Mr. BRODIS. Yes.

Mr. PATTERSON. Were you demoted?

Mr. BRODIS. Yes, sir.

Mr. PATTERSON. Why?

Mr. BRODIS. I don't know.

Mr. PATTERSON. When were you demoted?

Mr. BRODIS. In January 1938.

Mr. GESELL. The next witness is Mr. Ernest Weiss.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WEISS. I do.

**TESTIMONY OF ERNEST WEISS, AGENT, HARROWGATE OFFICE,
METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.**

Mr. GESELL. What is your full name, sir?

Mr. WEISS. Ernest D. Weiss.

Mr. GESELL. Are you an agent employed by the Metropolitan?

Mr. WEISS. Yes, sir.

Mr. GESELL. How long have you been employed?

Mr. WEISS. Since May of 1934.

Mr. GESELL. Out of what office do you work?

Mr. WEISS. Out of the Harrowgate Office, Philadelphia.

Mr. GESELL. Is that a different office from what any of the others have been talking about?

Mr. WEISS. Yes, sir.

Mr. GESELL. Is the practice in signing ballots in your office the same as in the other offices?

Mr. WEISS. Yes, sir.

Mr. GESELL. Do the agents sign the policyholders' names to the ballots?

Mr. WEISS. The agents interchange ballots and sign names of policyholders of the other agents to the ballots.

Mr. GESELL. Is that a general practice in the office?

Mr. WEISS. So far as I saw; yes.

Mr. GESELL. Was it done openly?

Mr. WEISS. Yes, sir.

Mr. GESELL. In the offices of the company?

Mr. WEISS. Yes, sir.

Mr. GESELL. In the offices of the company?

Mr. WEISS. In the offices of the company.

Mr. GESELL. How many agents are there in your office?

Mr. WEISS. In the 1935 election there were approximately 27; in the 1937 election, about 24.

Mr. GESELL. Do you know whether or not all of those agents engaged in the practice?

Mr. WEISS. I should say the majority, the good majority, engaged in that practice.

Mr. GESELL. Was it done in the presence of the assistant managers?

Mr. WEISS. Yes, sir.

Mr. GESELL. They saw it?

Mr. WEISS. They must have seen it.

Mr. GESELL. How many assistant managers have you got?

Mr. WEISS. Three.

Mr. GESELL. Was it done in the presence of the manager?

Mr. WEISS. I can't recall definitely, but I think that the manager was in the office during the 19—in the agent's office—during the 1935 election, at the front of the room.

Mr. GESELL. And he saw the signing of the ballots at that time?

Mr. WEISS. I cannot say definitely that he saw it or not, but it was being done.

Mr. GESELL. No attempt to conceal it in any way?

Mr. WEISS. No, sir.

Mr. GESELL. How did you happen to start signing the ballots, Mr. Weiss?

Mr. WEISS. Well, like every other agent, I was pressed for business at the time, had to take care of my debit, my detail work, and many other things. I found myself short of time in securing the necessary number of ballots legitimately, and like the rest, I took the easiest way out and gave some other agent my ballots to sign.

Mr. GESELL. Was that practice going on in the office at the time you came to the company?

Mr. WEISS. Yes, sir.

Mr. GESELL. In the first election you participated in, that practice was well under way?

Mr. WEISS. Yes, sir.

Mr. GESELL. Can you give us any estimate as to how many or what percentage of the ballots were signed in this unauthorized manner?

Mr. WEISS. Well over 50 percent.

Senator KING. You are speaking of your own allotment, or for all the other allotments?

Mr. WEISS. I am speaking for my own and other agents' in the office.

Senator KING. Did you know what percent they had?

Mr. WEISS. I should say about the same percent as mine.

Senator KING. Did you examine with a view to determining?

Mr. WEISS. No; I didn't.

Mr. GESELL. But you did sign some of the other agents'?

Mr. WEISS. Sometimes as high as 10 ballots per agent.

Mr. DOUGLAS. Would the agents get together in one room at one time and do this at one time?

Mr. WEISS. It was done in the agents' room. We sat at desks, and naturally the adjoining agent would hand me his ballots and I would hand him my ballots and an adjoining agent would take his brother agent's ballots and sign the policyholders' names to them.

Mr. DOUGLAS. That signing was done contemporaneously? You signed his at the time when he was signing yours?

Mr. WEISS. Yes, sir.

Senator KING. Are you a policyholder?

Mr. WEISS. Yes, sir.

Senator KING. You signed your own ballot?

Mr. WEISS. I voted once.

Senator KING. Do any of your family have policies? Did they vote?

Mr. WEISS. I voted for them.

Senator KING. Did they know of the fact that they had policies?

Mr. WEISS. Yes, sir.

Senator KING. You explained that to them?

Mr. WEISS. Yes, sir.

Senator KING. Did you sell them the policies?

Mr. WEISS. Yes, sir.

Senator KING. You explained to them what the policy was, did you, and about the elections?

Mr. WEISS. No; I explained nothing about the election.

Senator KING. Did you go to see your relatives?

Mr. WEISS. In reference to what?

Senator KING. In respect to the election.

Mr. WEISS. No, I did not.

Senator KING. You just took it upon yourself to sign your relatives' names?

Mr. WEISS. That is correct.

Senator KING. What relation do they bear to you?

Mr. WEISS. Father-in-law, mother-in-law; wife.

Senator KING. That's all.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. I have, I think, one question. How many signings would you have during the period of an election? How frequently would the agents get together to interchange—

Mr. WEISS (interposing). Well, it might be daily. It was done daily, and usually at the end of the week when the allotted time was up for the signatures and many agents had fallen short of their allotment it was usually done on Saturday; that is, in the 1935 election, when we had Saturday morning meetings, it was done Saturday morning.

The VICE CHAIRMAN. How many ballots do you handle on an average during an election?

Mr. WEISS. It is hard for me to say, because I don't recall the exact number. It would be around 50.

The VICE CHAIRMAN. That is all.

Mr. GESELL. No further questions.

(The witness, Mr. Weiss, was excused.)

Mr. GESELL. The next witness is Mr. Alexander Heitzer.

The VICE CHAIRMAN. Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. HEITZER. I do.

TESTIMONY OF ALEXANDER HEITZER, AGENT, HARROWGATE DISTRICT, METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.

Mr. GESELL. What is your name?

Mr. HEITZER. Alexander Heitzer.

Mr. GESELL. How do you spell it?

Mr. HEITZER. H-e-i-t-z-e-r.

Mr. GESELL. Are you employed by the Metropolitan Life Insurance Co.?

Mr. HEITZER. I am.

Mr. GESELL. In what capacity?

Mr. HEITZER. An agent.

Mr. GESELL. Out of what office do you work?

Mr. HEITZER. Harrowgate district, Philadelphia.

Mr. GESELL. Who is your manager?

Mr. HEITZER. Arthur A. Becker.

Mr. GESELL. How long have you been in the employ of the company?

Mr. HEITZER. Since July 1931.

Mr. GESELL. How many elections have you participated in?

Mr. HEITZER. Three.

Mr. GESELL. Is the practice in your office similar to that practice in the other offices concerning which the previous agents have testified?

Mr. HEITZER. Yes, sir.

Mr. GESELL. Is it the practice in your office for the agents to sign the policyholders' names to the ballots without authority?

Mr. HEITZER. Yes, sir.

Mr. GESELL. Is that a general practice in the office?

Mr. HEITZER. Yes, sir.

Mr. GESELL. Have you engaged in it?

Mr. HEITZER. Yes, sir.

Mr. GESELL. Is it done openly?

Mr. HEITZER. Yes.

Mr. GESELL. In front of the assistant managers?

Mr. HEITZER. Yes.

Mr. GESELL. How many agents in your office?

Mr. HEITZER. At the present time I believe 20 or 21.

Mr. GESELL. How many of them are engaged in this practice?

Mr. HEITZER. Frankly, I couldn't say definitely that I know any agent that has ever been in the district who didn't engage in it.

Mr. GESELL. As far as you know, all of the agents have done it?

Mr. HEITZER. Yes, sir.

Mr. GESELL. Have any of the assistant managers who are present assistant managers been agents with you?

Mr. HEITZER. No.

Mr. GESELL. Have they been agents previously?

Mr. HEITZER. Yes, sir.

Mr. GESELL. What percentage would you say of the ballots signed in your district are signed in this unauthorized manner?

Mr. HEITZER. Well, I think, a safe estimate would be about 90 percent.

Mr. GESELL. Do the assistant managers talk about it to the men?

Mr. HEITZER. No; they don't.

Mr. GESELL. But they are present when the signing takes place?

Mr. HEITZER. Yes; they are.

Mr. GESELL. Has the manager ever been present?

Mr. HEITZER. I don't think so.

Mr. GESELL. Was that practice in effect when you came to work in 1931?

Mr. HEITZER. Yes, sir.

Mr. GESELL. How did you happen to start?

Mr. HEITZER. Well, my experience was probably the same as you have already heard. I met resistance on the part of the policyholders when I asked them to sign. Since we got such a small number of ballots, most of the people you approached didn't know elections were held; it took a lot of time and a great deal of difficulty, if you did want to explain the ballot honestly, which I did in 1937, at which time I completed all of my ballots legitimately. You met with a great deal of resistance on the part of the policyholders. If they examined the people they either didn't know them, or if they did know one or two, they didn't feel they wanted to vote for them.

Mr. GESELL. I have no further questions.

Senator KING. Was the resistance because of the fact they didn't understand the policy or the mechanics of elections? What do you mean?

Mr. HEITZER. They hesitated to sign. They either didn't want to sign the ballot because they didn't feel they were fully acquainted with the practice, or if they did really attempt to understand the mechanics of elections and examine the names on the ballots, they either didn't want to because they didn't know the people or in some cases because they did know some of the people.

Senator KING. As I understood you, it was the first election where you got your number legitimately.

Mr. HEITZER. No, sir; the last.

Senator KING. You got those you contacted signed?

Mr. HEITZER. Every one.

Senator KING. How many did you have?

Mr. HEITZER. About 40.

Senator KING. So you got 40 names legitimately?

Mr. HEITZER. Yes, sir.

Senator KING. Are you a policyholder?

Mr. HEITZER. Yes, sir.

Senator KING. You signed?

Mr. HEITZER. I did.

Senator KING. You voted the tickets?

Mr. HEITZER. Yes, sir.

Dr. LUBIN. Mr. Heitzer, were you ever warned by an assistant manager against indulging in this practice?

Mr. HEITZER. No, sir.

Dr. LUBIN. Do you know of anybody who was ever warned against this practice?

Mr. HEITZER. No, sir; I do not.

Dr. LUBIN. Do you or any of the other agents feel there was anything fundamentally wrong with the practice?

Mr. HEITZER. No; not at all.

Dr. LUBIN. Was it due to the fact that there was no financial obligation, no money involved?

Mr. HEITZER. We felt the election wasn't important, the people either voted for the name on the ballots or they didn't vote at all. We didn't feel we were depriving the policyholders of any special privilege. I know my conscience didn't bother me.

Mr. GESELL. No further questions.

The next witness is Mr. Dorfman.

Senator KING. Mr. Chairman, the Senate meets at 12 o'clock and I am compelled to leave.

The VICE CHAIRMAN. Do you solemnly swear that the testimony you are about to give shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. DORFMAN. I do.

**TESTIMONY OF JACOB DORFMAN, AGENT, LOGAN OFFICE,
METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.**

Mr. GESELL. What is your full name, sir?

Mr. DORFMAN. Jacob Dorfman. D-o-r-f-m-a-n.

Mr. GESELL. Are you employed as an agent by the Metropolitan?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. How long have you been employed?

Mr. DORFMAN. 9 years, 9 months, and 3 days.

Mr. GESELL. You were ready for that.

Mr. DORFMAN. Yes, sir; May 6, 1929.

Mr. GESELL. Out of what office do you work?

Mr. DORFMAN. Logan, Philadelphia.

Mr. GESELL. That is the same office concerning which the other witness has previously testified?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. Do you confirm his statement about the practice in that office?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. Is it the practice in the office for the agents to sign the policyholders' names to the ballots for other agents without the authority of the policyholders?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. How long has that practice been in existence in the office?

Mr. DORFMAN. Well, since I have been there.

Mr. GESELL. You came when?

Mr. DORFMAN. In 1929.

Mr. GESELL. And it has been used in every election since that time?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. Do all of the agents engage in it?

Mr. DORFMAN. Most of them, to my knowledge.

Mr. GESELL. The great majority of them?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. How many agents are there?

Mr. DORFMAN. Forty-nine.

Mr. GESELL. Is it done openly?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. In the offices of the company?

Mr. DORFMAN. In the office.

Mr. GESELL. In the presence of the office assistant managers?

Mr. DORFMAN. Yes, sir; the assistant managers are present in the office.

Mr. GESELL. Do they help in the signing?

Mr. DORFMAN. No, sir.

Mr. GESELL. But they are present and can see it?

Mr. DORFMAN. They can see it.

Mr. GESELL. What percentage of the ballots would you say in your office, in, say, the 1937 election, had been signed in this manner?

Mr. DORFMAN. Do you mean as far as any ballots are concerned?

Mr. GESELL. First of all, how many of yours?

Mr. DORFMAN. More than half of them.

Mr. GESELL. Would you say that was generally true with respect to all of the agents?

Mr. DORFMAN. I couldn't say that about the other agents. It depends on the debit the agent controls.

Mr. GESELL. You mean if he has a debit where he can get signatures, he doesn't have to have so many phoney signatures?

Mr. DORFMAN. Correct.

Mr. GESELL. What kind of debit do you have?

Mr. DORFMAN. It consists of about 80 percent Jews.

Mr. GESELL. Are children on your debit who are policyholders?

Mr. DORFMAN. Yes, sir.

Mr. GESELL. Have you any people who don't understand the English language on your debit?

Mr. DORFMAN. Very few.

Mr. GESELL. You have some?

Mr. DORFMAN. Some.

Mr. GESELL. Some of these ballots which the agents signed in your office are signed with crosses?

Mr. DORFMAN. Some of them.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. That is all. When I say that is all, that just means me.

Representative REECE. Did you also feel, when you were signing these names, names of the policyholders to the ballots, that it was a matter of unimportance, since the question of their voting didn't deprive them of any benefits or rights in any way, and therefore, being a matter of inconsequence, you just signed their names to it?

Mr. DORFMAN. The reason those ballots were signed by other agents was because some of the policyholders were rather reluctant to sign them, and I couldn't persuade them to sign them. They were indifferent to signing those ballots.

Representative REECE. Then why did you sign their names instead of just letting it go; letting the matter go?

Mr. DORFMAN. Those ballots were handed out to us and they had to be returned within a certain time, signed. The first time when I told the clerk I couldn't get the signatures they told me they had to be signed, and one of the agents in our office volunteered to sign them for me. I did not volunteer.

Mr. GESELL. Did you feel you were under pressure to have them signed and get them in?

Mr. DORFMAN. I personally wasn't under any pressure. It was a common practice, as long as the man volunteered, and he told me it was done by other agents, I just let him do it.

Mr. DOUGLAS. You were following the custom of the office?

Mr. DORFMAN. No, sir.

The VICE CHAIRMAN. There is no opposition ticket in the field, and these people objected to signing something they didn't fully understand.

Mr. DORFMAN. The people didn't want to sign the ballots because they didn't care——

The VICE CHAIRMAN (interposing). They just didn't understand it, did they?

Mr. DORFMAN. I explained that. They didn't care whether those men were elected as directors or not. It was immaterial to them.

The VICE CHAIRMAN. And no opposition ticket in the field.

Mr. DORFMAN. No, sir.

Mr. FRANK. You knew the slate would be elected whether any ballots were cast or not?

Mr. DORFMAN. Yes, sir.

Mr. FRANK. Then why do you think it was important to obtain signatures on the ballots?

Mr. DORFMAN. Because those were the instructions, that they had to be signed.

The VICE CHAIRMAN. Any further questions. That is all.

Mr. GESELL. The next witness is Mr. Nathan Bampe.

The CHAIRMAN. Do you solemnly swear the testimony you are about to give shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. BAMPE. I do.

**TESTIMONY OF NATHAN BAMPE, AGENT, NEWARK DISTRICT,
METROPOLITAN LIFE INSURANCE CO., NEWARK, N. J.**

Mr. GESELL. What is your full name?

Mr. BAMPE. Nathan Bampe.

Mr. GESELL. How do you spell the last name?

Mr. BAMPE. B-a-m-p-e.

Mr. GESELL. Are you employed as an agent by the Metropolitan?

Mr. BAMPE. I am.

Mr. GESELL. Out of what office do you work?

Mr. BAMPE. Newark, N. J., district, Newark.

Mr. GESELL. What is the name of your manager?

Mr. BAMPE. Mr. James B. Duff.

Mr. GESELL. How long have you been in the employ of the company?

Mr. BAMPE. Since October 29, 1929.

Mr. GESELL. Is the practice in your office the same as in other offices concerning which we have had testimony?

Mr. BAMPE. Well, similar.

Mr. GESELL. What do you mean, "similar"?

Mr. BAMPE. Along the lines that the men would be given a certain number of ballots and they were to get the signatures of policyholders. When these ballots were handed to the men the men were given a certain amount of time to deliver them back to the office signed. I would go out in the field and try to get signatures of intelligent people that I knew that were interested in the policy and told them that an election was taking place and that they were entitled to vote for direc-

tors of the company. The intelligent people that were interested would sign or some refused. If I had a number of ballots signed I turned them in completed as required. If there was a certain number left over and I couldn't get the signatures—some people refused to sign, they weren't interested in the election—then I would come back to the office and tell them that was all I had, and you have to turn in the amount allotted to you, and when we would get together on the last day when the accounts go in we would get together and we would see a rumbling around, every man would turn ballots over to one another and merely get them signed in that respect.

Mr. GESELL. That was to get signatures on those that the agents hadn't been successful in getting the policyholders themselves to sign?

Mr. BAMPE. That is right.

Mr. GESELL. Was this a general practice in the office?

Mr. BAMPE. I believe so.

Mr. GESELL. How many agents are there in your particular office?

Mr. BAMPE. At the present time 24.

Mr. GESELL. Was the signing done in the presence of the assistant managers?

Mr. BAMPE. Well, whether they were there or not it was generally done open in the agents' room.

Mr. GESELL. There was no secrecy about it?

Mr. BAMPE. No, sir.

Mr. GESELL. Was this practice going on when you first came with the company many years ago?

Mr. BAMPE. When I joined the company it was in October 1929. I did not know anything about it, and the first election I took part in was in 1931. By that time ballots came down—I didn't know anything about it at first; when they were given to me I just went out in the field to try to get as many signatures as I possibly could, and very often I got some. I think in one election, or two I would say, I got a complete allotment signed by policyholders.

Mr. GESELL. But it was the election during '31 that you saw this other practice being engaged in?

Mr. BAMPE. This practice was going on; one man would turn a certain amount of ballots over to another, and it was scabbled down, written down, scabbled anyway you want, and turned in.

Mr. GESELL. Can you give us any estimate as to the percentage of ballots cast, say in the 1937 election in your office, which were signed in this unauthorized manner?

Mr. BAMPE. I could not give you an honest estimate because I would not know how many were signed by agents.

Mr. GESELL. You just know about your own.

Mr. BAMPE. Well, my own, I probably would have a few and I might not, I can't remember now what happened then.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. Any questions, gentlemen?

(The witness, Mr. Bampe, was excused.)

Mr. GESELL. The next witness is Mr. Meyer Glickman.

The VICE CHAIRMAN. Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GLICKMAN. I do.

TESTIMONY OF MEYER GLICKMAN, AGENT, HARROWGATE OFFICE, METROPOLITAN LIFE INSURANCE CO., PHILADELPHIA, PA.

Mr. GESELL. What is your name?

Mr. GLICKMAN. Meyer Glickman.

Mr. GESELL. Are you an agent employed by the Metropolitan?

Mr. GLICKMAN. Yes, sir.

Mr. GESELL. How long have you been in its employ?

Mr. GLICKMAN. Since December 19, 1933.

Mr. GESELL. Out of what office do you work?

Mr. GLICKMAN. Harrow Gate, Philadelphia.

Mr. GESELL. Is the practice in that office the same as the previous testimony has indicated with respect to the signing of ballots?

Mr. GLICKMAN. Yes, sir.

Mr. GESELL. Agents exchange ballots back and forth among themselves and sign the policyholders' names to them without authority?

Mr. GLICKMAN. That is correct.

Mr. GESELL. Is that practice generally engaged in in your office?

Mr. GLICKMAN. I know it has been up until the last year, until 1937.

Mr. GESELL. It was not engaged in in 1937?

Mr. GLICKMAN. Oh, yes; but I don't mean to the extent that it was in 1935.

Mr. GESELL. In every election it has been engaged in?

Mr. GLICKMAN. Oh, yes.

The VICE CHAIRMAN. What happened in 1937 that made it different from '35?

Mr. GLICKMAN. Well, I don't know, I think in 1937—I have always been a bug on detail work and doing my work correctly and I just felt I didn't want to do it any more, I didn't think it was proper, and in 1937 I went out and had the people sign them.

The VICE CHAIRMAN. Did the other agents in the office do the same thing to your knowledge?

Mr. GLICKMAN. I couldn't testify for others. I admit that although I had all of mine signed in 1937 I helped other agents sign theirs.

The VICE CHAIRMAN. In 1937?

Mr. GLICKMAN. Yes; they had to have them in.

Mr. GESELL. They had to have them in?

Mr. GLICKMAN. Yes, sure.

Mr. GESELL. What do you mean by that?

Mr. GLICKMAN. They couldn't get their pay if they didn't get them in.

Mr. GESELL. That is very interesting. Will you tell us about that?

Mr. GLICKMAN. Well, it is a system, you know, where certain things have to be done before you can get your pay, you have to have your detail work done, you have to have certain forms done, 3,355 done, you had to have your life register and lapse register, and of course when those ballots are given you you must turn them in; if you don't turn the detail work in you just don't get an O. K. slip from your assistant manager to get paid.

Mr. DOUGLAS. Have you had the experience of not getting an O. K. slip?

Mr. GLICKMAN. Oh, yes; I went home without my pay one Saturday.

Mr. DOUGLAS. For what particular reason?

Mr. GLICKMAN. There was so much work to do that Saturday morning and I was doing my best to do it, and then I just felt ill and like sitting back and taking it easy and I felt I would complete the rest of the detail work Monday morning, and my assistant manager told me I had to get it in. I said, "I don't feel up to it."

He said, "You've got to get it in or you don't get an O. K. slip."

I said, "You can't hold my pay."

He said, "What do you mean?"

I said, "You can't hold my pay. I'm going to the cashier and take my pay right now and go home. I don't want to sit here any more." I took my books together, walked over to the cashier, I demanded my pay. She said, "Where's your slip?"

I said, "I don't have a slip." I said, "I want my pay just the same, I want to go home."

She said, "You can't have it."

I said, "All right."

Just then the manager was right in back of the cashier, and without any further remarks she said, "You can't have it." I didn't question her. I took my bag, my books under my arm, got out of the office and went home. I laid down on the couch; I guess I must have been there about an hour or an hour and a half or so when my assistant manager and another agent rang my doorbell, came in and brought me my pay. I said, "You didn't have to do that."

The assistant manager said, "Well, you shouldn't have run out that way. Here's your pay."

I said, "Well, I couldn't stand it any more, I wasn't up to it."

They gave me my pay that Saturday afternoon.

Mr. DOUGLAS. Would the pay be held up if the ballots were not in on time?

Mr. GLICKMAN. Oh, yes; you couldn't get any if you didn't attend to detail. You had to.

Mr. DOUGLAS. Do you know that to be a fact?

Mr. GLICKMAN. Definitely; they would even take you away from your breakfast if you didn't do your detail work, and pull you upstairs. [Laughter.] It's not funny; it just happened to me last week, gentlemen. I forgot to make out my lapses on Tuesday morning and went down and had my breakfast and there was maybe 100 people there and my assistant manager walked down and said, "Come up immediately."

I said, "What for, Bob?"

He said, "You didn't turn your lapses in yet."

I said, "I will then, in 5 minutes I'll be through."

He said, "You're coming right away."

I said, "I'm not."

He said, "You're coming right away! The manager can't wait, he wants them."

I said, "I'm not." I said, "There's people here, you're making me feel bad." I said, "Go 'way from me, let me finish my breakfast," with the place full.

He said, "You must come up." I came.

Mr. DOUGLAS. Did you go up?

Mr. GLICKMAN. I came. I finished my coffee first, but I came. Of course I did. It was part of my work, I had so much to do on Tuesday morning, I did it. It was just one of those things I forgot, but of course I had to come back regardless, that's part of my work, I am paid for that.

Mr. GESELL. And it is understood in the office that at the time of elections one of the details which a man must complete to get his pay is the detail of turning in all of his ballots signed?

Mr. GLICKMAN. Yes; surely.

Mr. GESELL. No further questions.

The VICE CHAIRMAN. Did you ever get your pay held up on account of not turning in your ballots?

Mr. GLICKMAN. Well, the practice was this, if——

The VICE CHAIRMAN (interposing). That is not what I asked you. I asked you if you ever had your pay held up by reason of not turning in your ballots.

Mr. GLICKMAN. No.

Mr. DOUGLAS. You turned them all in.

Mr. GLICKMAN. Yes, sir.

The VICE CHAIRMAN. Do you know of any other agents who had their pay held up because they didn't turn their ballots in? I suppose they weren't put to the test on that, were they?

Mr. GLICKMAN. No; all agents did that; they got their work done, some way or other.

The VICE CHAIRMAN. Helping each other out, cooperative attitude toward each other.

Mr. GLICKMAN. That's right. We understood our problems, we realized we could do nothing about it and we just had to do as the custom was.

Mr. DOUGLAS. Perhaps you have answered this; if so, I missed it. What would be your estimate of the percentage of ballots from your office that were forged in these various elections?

Mr. GLICKMAN. A large amount.

Mr. DOUGLAS. Over 50 percent?

Mr. GLICKMAN. Oh, yes.

Mr. GESELL. No further questions.

(The witness, Mr. Glickman, was excused.)

Mr. GESELL. The next witness is Mr. Samuel Goldberg.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

Mr. GOLDBERG. I do.

**TESTIMONY OF SAMUEL GOLDBERG, AGENT, PATERSON DISTRICT,
METROPOLITAN LIFE INSURANCE CO., PATERSON, N. J.**

Mr. GESELL. What is your name?

Mr. GOLDBERG. Samuel Goldberg.

Mr. GESELL. Are you an agent employed by the Metropolitan?

Mr. GOLDBERG. That is right.

Mr. GESELL. How long have you been employed there?

Mr. GOLDBERG. I have been there since February 1932.

Mr. GESELL. Out of what office do you work?

Mr. GOLDBERG. Paterson district, Paterson, N. J.

Mr. GESELL. Is the practice in your office similar to the practice in other offices?

Mr. GOLDBERG. It is.

Mr. GESELL. Do the agents exchange the ballots among themselves and sign the policyholders' names without authority?

Mr. GOLDBERG. That is right.

Mr. GESELL. Has that practice been going on as a general practice in your office ever since you have been there?

Mr. GOLDBERG. Ever since I have been there.

Mr. GESELL. How many agents are there in the office?

Mr. GOLDBERG. About 50 agents in the office.

Mr. GESELL. Have you engaged in the practice yourself?

Mr. GOLDBERG. I have.

Mr. GESELL. Is it done openly?

Mr. GOLDBERG. It is done quite openly; it is done right in the office where everybody can see it. The ballots are exchanged. There is a scurrying around, generally, particularly at the last moment. One agent hands the other ones his and shifts his ballots over to his desk and has them signed.

Mr. GESELL. Is that done in the presence of the assistant managers?

Mr. GOLDBERG. The assistant managers are most always there.

Mr. GESELL. They are most always there. How many assistant managers are there in your office?

Mr. GOLDBERG. There are six assistant managers.

Mr. GESELL. Have some of those assistant managers been agents with you before they became assistant managers?

Mr. GOLDBERG. Yes.

Mr. GESELL. Have you seen some of those assistant managers engage in this practice themselves while they were agents?

Mr. GOLDBERG. Why, I can't say whether I have noticed those particular ones.

Mr. GESELL. But they were agents during the time the practice was being engaged in.

Mr. GOLDBERG. That is right.

Mr. GESELL. What percentage would you say of the total ballots cast in any election are signed in this unauthorized manner?

Mr. GOLDBERG. Why, I would say about 40 percent.

Mr. GESELL. About 40 percent. Is that true with respect to your own?

Mr. GOLDBERG. Yes.

Mr. GESELL. They are all turned in to the manager after they are signed?

Mr. GOLDBERG. That is right.

Mr. GESELL. Did the manager ever see it?

Mr. GOLDBERG. Not that I know of.

Mr. GESELL. No further questions.

Mr. DOUGLAS. This was a general practice in your office during the time that you were there?

Mr. GOLDBERG. It was.

Mr. DOUGLAS. And in so signing ballots you were not going contrary to the common practice in the office?

Mr. GOLDBERG. That is right.

Mr. DOUGLAS. That was the common practice?

Mr. GOLDBERG. That was the common practice in the office.

The VICE CHAIRMAN. Any questions, gentlemen?

Dr. LUBIN. Mr. Goldberg, have you ever been warned by the assistant manager not to indulge in this practice?

Mr. GOLDBERG. No; I have not.

Dr. LUBIN. Do you know of any agents who have been?

Mr. GOLDBERG. I never heard of any agents being warned, reprimanded in any way.

Mr. DOUGLAS. Did you feel that you had to have the ballots in on time to get your O. K. slip for the cashier?

Mr. GOLDBERG. Well, we haven't had that arrangement in our office that I know of. Our pay wasn't held up particularly for that or anything else, but we did have to get them in in a certain particular time. Generally it was at the last moment that most of the ballots went in, and of course they went in with the signatures right there in the office.

The VICE CHAIRMAN. That is all.

(The witness, Mr. Samuel Goldberg, was excused.)

The VICE CHAIRMAN. Are you ready to proceed with another witness?

Mr. GESELL. Yes; I am.

Mr. DOUGLAS. Mr. Chairman, I think this might be a convenient stopping point for recess. We have some more agents to testify along the same line. I do not know how much of this kind of testimony the committee would be interested in hearing. I do not know how much testimony of this nature will be necessary to convince the committee that this was a common practice in the Metropolitan Life Insurance Co. I think it will not be an exaggeration, Mr. Chairman, for me to say that we could go on with additional agents' testimony of the same character that we have presented to date for a substantial period of time. Those are matters that the committee might want to discuss in executive session, and that is why I think that this might by a convenient place to stop for recess.

The VICE CHAIRMAN. I wonder if we may inquire how long a period the testimony which you are prepared to present today will probably occupy.

Mr. GESELL. I should imagine about an hour and a half more today, if the committee wishes to hear it.

The VICE CHAIRMAN. I believe without consulting with my colleagues that we can take that much time probably from our other duties. Would you say then that we convene at 2 or at 2:30.

Mr. GESELL. Either time.

The VICE CHAIRMAN. Two o'clock. If there is no objection the committee will stand adjourned until 2 o'clock.

(Whereupon at 12:05 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(Whereupon the hearing was resumed at 3:15 p. m., upon the expiration of the recess.)

The VICE CHAIRMAN. The committee will please come to order.

The Chair wants to make one or two announcements. First, the witnesses who have already testified, I understand by agreement, are dismissed. They will not be further desired. I think that is correct.

Second, there is an effort being made to agree upon a stipulation which will shorten this particular branch of the examination. In order to give the persons interested and who are engaged in that effort full opportunity, we are adjourning the committee until 10 o'clock tomorrow morning. All witnesses who have not testified will be in attendance in the morning.

Senator KING. Unless they are excused by their respective parties. They may excuse some of them.

The VICE CHAIRMAN. Senator King has suggested that unless they are excused by the persons who have subpoenaed them, and I believe that would be true. I think you may consider that added to the statement.

I am very sorry to have disappointed you all.

(Whereupon, at 3:20 p. m., a recess was taken until Friday, February 10, 1939, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

FRIDAY, FEBRUARY 10, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:50 a. m., pursuant to adjournment on Thursday, February 9, 1939, in the Caucus Room, Senate Office Building, Representative Hatton W. Sumners, presiding.

Present: Senator King; Representatives Sumners (the vice chairman), and Williams; and Messrs. Henderson, Douglas, Ferguson, Patterson, Lubin, Joseph J. O'Connell (successor to Herman Oliphant), Peoples, Berge, Frank, and Hinrichs.

Present also: Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

The VICE CHAIRMAN. The committee will be in order. The Chair would like first to announce the presence of Mr. Joseph O'Connell, special assistant to the General Counsel of the Treasury Department, who will represent the Treasury Department instead of our former colleague, Mr. Oliphant, whose untimely death robbed our group of a very valuable member. A proper resolution has already been adopted by the committee with reference to the decease of our friend.

I am also glad to announce to my colleagues that Admiral Peoples will continue to assist the committee as the Treasury Department alternate. Admiral Peoples has many other responsibilities. The Treasury work of the committee of a legal nature is such that it would be unreasonable to expect him to carry the burden of the work alone. He will still continue to carry on the Government purchasing study.

The committee is ready to proceed.

Mr. GESELL. My next witness is Mr. Samuel Schlesinger.

The VICE CHAIRMAN. May I inquire if Mr. Schlesinger's testimony is expected to be in line with the testimony for the last two sessions?

Mr. GESELL. It is, Mr. Chairman; yes.

The VICE CHAIRMAN. Mr. Attorney, in that situation the Chair is of the opinion that any more testimony of the character that has been introduced during the last 2 days could be only cumulative; and after some consultation with my colleagues on the committee the Chair is prepared to hold that we do not at this time, at least, desire to have any additional testimony of that character from those persons.

Mr. GESELL. Mr. Chairman, may I ask the instructions of the committee with respect to this matter? We intended to produce at a later time further evidence on this matter, indicating a wider geographical distribution of the practice. Does the committee wish to hear that at some future time?

The VICE CHAIRMAN. The committee at this time would hold with reference to that contemplated testimony just as we have held with reference to the testimony proposed by this witness, that it would be cumulative.

Mr. JOHN LORD O'BRIAN. Mr. Chairman, in view of the ruling of the committee, speaking on behalf of the Metropolitan Life Insurance Co., I would like to say this: We have already instituted investigations as to this practice. In three of the agencies from which testimony was brought yesterday all of the agents deny that they did engage in this practice.

We are satisfied that it is not a general practice, and would be prepared to offer proof that it is not a general practice.

But in addition to that, I want to say this: The testimony given here indicates that certain of the witnesses already produced have signed without authority the names of policyholders to ballots cast in the uncontested biennial elections of the company. These elections are held in strict conformance with the laws of the State of New York. That statute requires the management of life-insurance companies to nominate a ticket, and it gives the privilege to policyholders, by following certain requirements, to nominate an opposition ticket. Under this statute if no opposition ticket is placed in nomination there can be no contest in the election. In the last 30 years there has never been any contested election, nor has there been any criticism of the management of this company. It is therefore apparent that the witnesses who say that they signed these names of policyholders did not by so doing in any way effect the outcome of the election.

Nevertheless, the signing of these names without the authority of the policyholders was, as the president of the company, Mr. Lincoln, has already said, utterly reprehensible. No responsible officer of the company has ever heard of the practice, and we are satisfied that the great body of our agents have not engaged in it.

From the outset of the work of this inquiry we have cooperated to the fullest extent in the work of the committee. We shall continue that policy.

As to this particular matter, we already have begun and we shall continue to make a searching and thorough investigation and see to it that appropriate action is taken to make sure that no such practice will ever obtain in any future election of the company.

I make this statement because I do not wish the record to stand without any comment from the company.

The VICE CHAIRMAN. I am very glad to have you make that statement, Mr. O'Brian.

There is a correction that I think ought to be made. Some impression has got about that the adjournment of yesterday was not at the instance of the committee. The Chair would like to say that the adjournment yesterday was at the instance of the committee upon its own motion and it alone had the responsibility.

The Chair would like, if he may, to express appreciation for the attitude of the committee, the attitude of the insurance company, the general attitude in dealing with this situation. We appreciate the delicacy of the general economic situation. The committee wants to do its work effectively, and I believe in making this statement I indicate the attitude of every member of this committee—we want to do

our work effectively and with as little hurt as we can possibly inflict in the doing of this job.

We thank you gentlemen all for your cooperation and the committee will stand adjourned——

Senator KING (interposing). I don't think that we can meet on Monday morning. The Judiciary Committee of the Senate meets and I understand the Judiciary Committee of the House, and a number of the members of this committee are members of those respective committees, so that it would be impossible for us to meet on Monday morning. Perhaps Monday afternoon, I would say half-past 2.

The Vice CHAIRMAN. Is there any objection on the part of any member of the committee to our adjourning until 2:30 Monday afternoon? (Assent from the committee.)

We will stand adjourned until 2:30 Monday afternoon.

(Whereupon, at 11 a. m., an adjournment was taken until Tuesday, February 14, 1939, at 2:30 p. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

TUESDAY, FEBRUARY 14, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:10 o'clock a. m., pursuant to adjournment on Friday, February 10, 1939, in the Caucus Room, Senate Office Building, Representative Hatton W. Sumners, presiding.

Present: Senator King; Representatives Sumners (vice chairman) and Reece; Messrs. Henderson, O'Connell, Douglas, Patterson, Frank, and Hinrichs.

Present also: Mr. Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

The VICE CHAIRMAN. The committee will please be in order. The committee is ready to proceed.

Mr. GESELL. The first witness this morning is Mr. Judson.

The VICE CHAIRMAN. Mr. Judson, will you be sworn? Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. JUDSON. I do.

TESTIMONY OF CHARLES EVERETT JUDSON, ASSISTANT SECRETARY, NEW YORK LIFE INSURANCE CO, NEW YORK, N. Y.

ELECTION OF DIRECTORS—NEW YORK LIFE

Mr. GESELL. What is your full name, please, sir?

Mr. JUDSON. Charles Everett Judson.

Mr. GESELL. Are you connected with the New York Life Insurance Co.?

Mr. JUDSON. I am.

Mr. GESELL. In what capacity?

Mr. JUDSON. I am assistant secretary of the New York Life.

Mr. GESELL. As assistant secretary have you had responsibility for the conduct of the elections for the board of directors?

Mr. JUDSON. I have had charge of the mechanics of the election.

Mr. GESELL. How often are those elections held?

Mr. JUDSON. Every year.

Mr. GESELL. On each occasion, how many directors are elected?

Mr. JUDSON. Eight.

Mr. GESELL. How many directors are there on the entire board?

Mr. JUDSON. Twenty-four.

(Senator King assumed the Chair.)

Mr. GESELL. Will you tell us the procedure which is followed with respect to the elections?

Mr. JUDSON. The board of directors nominates the candidates for the administration ticket. After the board has nominated the candidate a certificate of that nomination, with the written acceptance of each director, is filed at Albany and at the home office. Nothing further is done until the company receives a letter of instructions from the superintendent of insurance as to the procedure to be followed at the election.

The next step is the choosing of the publication. That letter of the superintendent's is reported to the board of directors. The newspapers for the publication of the election notice are selected and approved by the superintendent of insurance. The company is then advised of the appointment of the inspectors of election.

Shortly before the election the necessary paraphernalia is prepared, the inspectors are reminded of the time and place for holding the election, and that brings it up to the time of the election.

Mr. GESELL. Well now, does the company do anything to advise the policyholders that they have a right to make an independent nomination?

Mr. JUDSON. No, sir.

Mr. GESELL. There is no advertisement or announcement of any sort made?

Mr. JUDSON. No, sir.

Mr. GESELL. How many policyholders has the New York Life, approximately, at the present time?

Mr. JUDSON. I wouldn't want to say. I don't know.

Mr. GESELL. Do you know how many policyholders are invited to vote?

Mr. JUDSON. I do not.

Mr. GESELL. It would be somewhere in excess of a million five hundred thousand?

Mr. JUDSON. I think it would.

Mr. GESELL. How many votes were cast in the last election?

Mr. JUDSON. Two hundred ninety-seven.

Mr. GESELL. Were those votes all cast in person?

Mr. JUDSON. Yes, sir.

Mr. GESELL. There were no proxy votes?

Mr. JUDSON. No, sir.

Mr. GESELL. No votes by mail?

Mr. JUDSON. No, sir.

Mr. GESELL. Does the company prepare proxies?

Mr. JUDSON. No, sir.

Mr. GESELL. Does it prepare ballots?

Mr. JUDSON. Yes, sir.

Mr. GESELL. Are those ballots sent out to the policyholders?

Mr. JUDSON. No, sir.

Mr. GESELL. Those ballots are simply for the use of the people who come in to vote personally at the election?

Mr. JUDSON. Yes, sir.

Mr. GESELL. Who cast these two-hundred-odd votes, Mr. Judson?

Mr. JUDSON. I don't know, Mr. Gesell.

Mr. GESELL. Were they to a large extent home office employees?

Mr. JUDSON. I would have no way of knowing.

Mr. GESELL. Are you present at the elections?

Mr. JUDSON. Not all the time; no, sir.

Mr. GESELL. Are you present some of the time?

Mr. JUDSON. Yes; some of the time. I come down occasionally to see if things are in order and nothing is required.

Mr. GESELL. Did you see the people who voted?

Mr. JUDSON. I have seen some of them.

Mr. GESELL. Are some of them home office employees?

Mr. JUDSON. Yes, sir.

Mr. GESELL. Does your company keep any list of who the people are who voted at the election?

Mr. JUDSON. No, sir.

Mr. GESELL. Would it be fair to say that some of those votes were cast by home-office employees?

Mr. JUDSON. Yes, sir.

Mr. GESELL. Have you any idea what percentage of the votes were cast by home-office employees?

Mr. JUDSON. I have not.

Mr. GESELL. Do you recall how many votes were cast in the 1937 election?

Mr. JUDSON. I have that right here, Mr. Gesell.

Acting Chairman KING. Was that the last election held?

Mr. JUDSON. 1938 was the last election held.

Mr. GESELL. You have already given figures for 1938, have you not?

Mr. JUDSON. Yes, sir. In 1937, 318 votes.

Mr. GESELL. Have you a schedule there showing the votes for a period of years?

Mr. JUDSON. Yes, sir [submitting statement].

Mr. GESELL. Have you prepared the schedule? You know it is correct?

Mr. JUDSON. I prepared the schedule.

Mr. GESELL. Is it correct?

Mr. JUDSON. As far as I know it is correct.

Mr. GESELL. It covers the number of votes cast at all times from 1908 to 1938, does it not?

Mr. JUDSON. Yes, sir.

Mr. GESELL. I wish to offer this for the record.

Acting Chairman KING. It will be received.

(The schedule referred to was marked "Exhibit No. 252" and is included in the appendix on p. 1549.)

Mr. GESELL. What is the lowest number of votes cast in any year?

Mr. JUDSON. Well, for 1908 on, the lowest number of votes was in 1909, when there were 32 votes cast.

Mr. GESELL. And what is the greatest number of votes cast?

Mr. JUDSON. According to this sheet, 345.

Mr. GESELL. When was that?

Mr. JUDSON. In 1921.

Mr. GESELL. Now does the New York Life make use of its agency force in collecting votes for the board of directors?

Mr. JUDSON. No, sir.

Mr. GESELL. No ballots or proxies are given to the agents to distribute to the policyholders?

Mr. JUDSON. No.

Mr. GESELL. Now will you tell us a little about the type of notice which is given to the policyholders of the election?

Mr. JUDSON. There is a notice appearing in the public newspapers, and there is a notice on the back of the premium receipt that elections are held the second Wednesday of every April.

Mr. GESELL. Now—

Acting Chairman KING. How often are those premium receipts given to the policyholders or signed by them, or remitted by them to the company?

Mr. JUDSON. When they pay their premium.

Acting Chairman KING. And how often is that?

Mr. JUDSON. It can be quarterly—semiannually.

Acting Chairman KING. What is the rule?

Mr. JUDSON. It depends upon the policy.

Acting Chairman KING. Well, generally speaking, are the premiums monthly or semiannually or quarterly?

Mr. JUDSON. Quarterly, semiannually, and annually.

Acting Chairman KING. Have you got a copy of the notice?

Mr. JUDSON. Yes, sir.

Mr. GESELL. That notice on the premium receipt, Mr. Judson, reads, does it not—

The annual election of directors of this company is held at its home office on the second Wednesday in April of each year. Every policyholder whose insurance is then in force and has been in force at least 1 year prior thereto is entitled to vote at such election, as provided in section 94 of the insurance law of the State of New York.

Mr. JUDSON. Yes, sir.

Mr. GESELL. When was that notice first placed upon the premium receipt?

Mr. JUDSON. I don't know exactly; I think it was approximately 1936.

Mr. GESELL. Prior to that time there had been no notice on the premium receipt?

Mr. JUDSON. Not that I know of.

Mr. GESELL. Was this notice placed on the premium receipts at the suggestion of the superintendent of insurance?

Mr. JUDSON. I don't know.

Mr. GESELL. Now you say that you also advertise in the newspapers?

Mr. JUDSON. Yes, sir.

Mr. GESELL. What newspapers do you advertise in?

Mr. JUDSON. The papers are selected by an officer of the company and approved by the superintendent of insurance in his letter of instructions.

(The vice chairman, Representative Sumners, resumed the chair.)

Mr. GESELL. What newspapers do you advertise in?

Mr. JUDSON. Various papers, they rotate.

Mr. GESELL. More than two any year?

Mr. JUDSON. No; two, morning and evening.

Mr. GESELL. And they are always New York City newspapers, are they?

Mr. JUDSON. Yes, sir.

Mr. GESELL. What papers have you used in the past years?

Mr. JUDSON. The Sun, the Post, the Telegram, the Times, the Tribune, Morning American—we have used them all, I think.

Mr. GESELL. Is there any advertising in any newspapers outside the city of New York?

Mr. JUDSON. No, sir; it is not required.

Mr. GESELL. Your company simply complies with the minimum statutory requirements, does it not?

Mr. JUDSON. Yes.

Mr. GESELL. Is it correct to say that the notice has been about the same each year in the newspapers?

Mr. JUDSON. Yes, sir.

Mr. GESELL. Does it read like this:

NOTICE OF ELECTION OF DIRECTORS

Notice is here given that the election of directors of the New York Life Insurance Co. will be held at the home office of the company, No. 51 Madison Avenue, New York, in the State of New York, on Wednesday, the 13th day of April 1938. The polls will be opened at 10 o'clock in the forenoon and will remain open until 4 o'clock in the afternoon of said day, at which time they will be closed.

NEW YORK LIFE INSURANCE COMPANY.
By FREDERICK M. JOHNSON.

Is that the type of notice?

Mr. JUDSON. Yes, sir.

Mr. GESELL. That notice is given after the date for the filing of independent nominations has gone by?

Mr. JUDSON. That is right.

Mr. GESELL. That notice does not even state, does it, that the policyholder has a right to vote?

Mr. JUDSON. No, sir.

Mr. GESELL. And in your notice on your premium receipt which we read a moment ago, you give no particulars as to where or how the policyholder may attain information concerning his voting.

Mr. JUDSON. No, sir.

Mr. GESELL. What happens when a policyholder writes in and indicates interest in voting, Mr. Judson?

Mr. JUDSON. We have very few. I have only seen two or three during the time I have had charge of the mechanics of the election.

Mr. GESELL. How long has that been?

Mr. JUDSON. About 10 years.

Mr. GESELL. And how many have you had in 10 years?

Mr. JUDSON. Across my desk I have had only three or four; three in 1937 and one last year.

Mr. GESELL. Is it your practice to send those policyholders a proxy or a ballot?

Mr. JUDSON. No, sir.

Mr. GESELL. You simply explain to them that there is no necessity of that in a noncontested election?

Mr. JUDSON. Yes, sir.

Senator KING. You prepare the ballots, however?

Mr. JUDSON. Yes, sir.

Senator KING. Have any of your agents or representatives in various parts of the country asked for ballots?

Mr. JUDSON. No, sir.

Senator KING. Are the majority of your policyholders residents of New York?

Mr. JUDSON. I don't know.

Senator KING. You have no idea of the proportion of your policy-holders who reside in New York?

Mr. JUDSON. No, sir.

Mr. PATTERSON. Are these elections annually?

Mr. JUDSON. Yes, sir.

Mr. PATTERSON. Every year you elect eight directors?

Mr. JUDSON. Yes, sir.

Mr. PATTERSON. How many agents have you?

Mr. JUDSON. I don't know, offhand. I have nothing to do with that.

Mr. FRANK. If one ballot were cast at the election, would that be sufficient to elect the directors?

Mr. JUDSON. Yes, sir.

Mr. FRANK. Suppose that one ballot were cast for the slate and there were thousands against, would that make any difference?

Mr. JUDSON. I presume it would.

Mr. FRANK. Then no one would be elected.

Mr. JUDSON. No, sir.

Mr. FRANK. What would be the consequence?

Mr. JUDSON. I don't know.

Mr. GESELL. If votes were cast against the ticket they would have no standing, would they, if the time of independent nominations had passed and there had been no independent nominations?

Mr. JUDSON. That is right.

Mr. GESELL. I have no further questions of this witness.

Senator KING. Does the statute of New York govern the procedure to which you have referred?

Mr. JUDSON. Yes, sir.

Senator KING. You follow it?

Mr. JUDSON. We follow it strictly.

Senator KING. Did the Armstrong investigation committee call attention to and challenge your method of procedure?

Mr. JUDSON. I don't know, I wasn't with the company then.

Senator KING. How long have you been with the company?

Mr. JUDSON. 30 years.

Mr. GESELL. Has there been a contested election since 1906?

Mr. JUDSON. No, sir.

Senator KING. Are the directors all from New York State or are they scattered throughout the country?

Mr. JUDSON. No, sir; they are scattered.

Mr. HINRICHS. Is there any place on the ballot to indicate a "no" vote?

Mr. JUDSON. No, sir; the form of ballot is prescribed by the superintendent of insurance.

Senator KING. All of your procedure, then, is under the direction of the superintendent of insurance of the State of New York?

Mr. JUDSON. Yes, sir; when no independent nominations have been made.

Mr. HINRICHS. Then there is no way in which a ballot could be cast indicating an opposition to the slate that was presented?

Mr. JUDSON. No, sir.

The VICE CHAIRMAN. Is everybody who is to vote or who decides to vote required to come to New York to vote?

Mr. JUDSON. They can vote by mail, by proxy, or in person, under law.

The VICE CHAIRMAN. They can vote by proxy or in person, but may not vote by ballot, by mail?

Mr. JUDSON. I don't know.

Mr. GESELL. They may cast their ballot by mail, may they not?

Mr. JUDSON. Yes; I think they may cast a ballot by mail.

Mr. GESELL. The law provides, does it not, that a policyholder may vote in person by proxy or by mail? The company does not, however, send out proxies or ballots to the policyholders so that they can vote by proxy or by mail.

Mr. JUDSON. That is right.

Mr. GESELL. So that the way the procedure is run, the only way a policyholder may vote is to vote in person?

Mr. JUDSON. That is right.

Senator KING. I suppose if he wrote for a ballot, he could obtain it.

Mr. JUDSON. Yes, sir.

Mr. DOUGLAS. Did I understand you to say that during the last 30 years there has been no independent slate of directors?

Mr. JUDSON. No, sir; I say I had been with the company 30 years. Mr. Gezell's question was, had there been any independent nominations since 1906, I believe.

Mr. DOUGLAS. There had not been?

Mr. JUDSON. There have not been.

Mr. GESELL. I believe you said in answer to Senator King's question that if a policyholder wants to receive a ballot or a proxy, it is sent to him if he asks for a ballot. May I ask you to examine this correspondence, Mr. Judson, and express your recollection on that? (Senator King assumed the Chair.)

Mr. GESELL (continuing). Does not that correspondence indicate that when a policyholder wishes a ballot or proxy it is not sent to him?

Mr. JUDSON. This letter does; yes, sir.

Mr. GESELL. So you were mistaken?

Mr. JUDSON. I was mistaken.

Mr. GESELL. No further questions.

Mr. DOUGLAS. I am not sure, Mr. Judson, that I understand your last answer. Suppose I am a policyholder and write in and want a ballot. Don't I get one?

Mr. JUDSON. No, sir.

Mr. DOUGLAS. I couldn't vote by ballot if I wanted to?

Mr. JUDSON. The ballots aren't prepared until shortly before the election and we are not required to send them out, by law.

Mr. DOUGLAS. So if I wanted to vote I would have to appear in person?

Mr. JUDSON. Yes, sir.

Mr. DOUGLAS. I couldn't, if I live in the western part of the country, mail in my ballot?

Mr. JUDSON. We would advise that we weren't required by law to send out ballots or proxies where there were no independent nominations.

Mr. GESELL. Is this the form of letter you have used in those instances?

Mr. JUDSON. There were so few I don't think we have a form for it.

Mr. GESELL. In this letter to a policyholder who lived in South Bend, Ind., you wrote:

Furthermore, the company is not required to mail proxies or ballots where there have been no independent nominations.

Did you not?

Mr. JUDSON. Yes, sir.

Mr. GESELL. I have no further questions.

(Representative Sumners resumed the Chair.)

The VICE CHAIRMAN. May I ask the witness a question?

If this witness has testified on this point I hope you will indicate it. From your experience, how is it feasible to expect a free expression of judgment, a free indication of judgment on the part, maybe, of a million policyholders scattered all over the country, with reference to the election of officers?

Mr. JUDSON. I am afraid I am not qualified to answer that, sir.

The VICE CHAIRMAN. That is all.

Senator KING. Have any considerable number of stockholders called your attention to the statute, which it seems you have rather rigorously adhered to, and suggested amendments to it so as to liberalize the method of election?

Mr. JUDSON. I have never seen any letters from policyholders to that effect.

Senator KING. Have you received any letters from policyholders suggesting some other method of holding the election or indicating that they desired to submit an independent panel of directors?

Mr. JUDSON. I have never seen any.

Senator KING. Of directors?

Mr. JUDSON. I have never seen any.

Senator KING. The policyholders seem to have been satisfied with the law and followed the law, and the directors seem to have been satisfied with the law. Is that your diagnosis of the situation?

Mr. JUDSON. Yes, sir.

Senator KING. That is all.

Mr. GESELL. I have no further questions.

(The witness, Mr. Judson, was excused.)

Mr. GESELL. The next witness is Mr. Mooers.

The VICE CHAIRMAN. Will you be sworn, Mr. Mooers? Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MOOERS. I do.

TESTIMONY OF SAMUEL E. MOOERS, SECRETARY, ACACIA MUTUAL LIFE INSURANCE CO., WASHINGTON, D. C.

ELECTION OF DIRECTORS—ACACIA LIFE

Mr. GESELL. What is your full name, sir?

Mr. MOOERS. Samuel E. Mooers.

Mr. GESELL. How do you spell it?

Mr. MOOERS. M-o-o-e-r-s.

Mr. GESELL. With what company are you associated, Mr. Mooers?

Mr. MOOERS. I am with the Acacia Mutual Life Insurance Co.

Mr. GESELL. That is here in the District of Columbia?

Mr. MOOERS. That is right, here in the District.

Mr. GESELL. How old a company is that?

Mr. MOOERS. It was chartered in 1869, March 1869.

Mr. GESELL. What are its admitted assets?

Mr. MOOERS. A little less than 80 millions of dollars.

Mr. GESELL. How much insurance is in force?

Mr. MOOERS. \$401,000,000.

Mr. GESELL. How many policyholders are there?

Mr. MOOERS. There are 126,000.

Mr. GESELL. In how many different States does it operate?

Mr. MOOERS. In 34 States, the District of Columbia, and the Panama Canal Zone.

Mr. GESELL. What type of insurance does it write?

Mr. MOOERS. Entirely mutual life insurance.

Mr. GESELL. Does it write industrial insurance?

Mr. MOOERS. No.

Mr. GESELL. Straight life, endowment, and that kind of insurance?

Mr. MOOERS. That is right.

Mr. GESELL. What is your position with Acacia?

Mr. MOOERS. I am secretary of the company.

Mr. GESELL. As secretary is it one of your duties to handle the elections?

Mr. MOOERS. Yes, it is.

Mr. GESELL. Will you tell us what the procedure of your company is with respect to handling elections?

Mr. MOOERS. Each year approximately eight directors come up for reelection.

Mr. GESELL. How many directors are there on the board?

Mr. MOOERS. We have a board of 25 directors serving for a term of 3 years. In the latter part of November of each year we send out to every policyholder a nomination blank giving the names of the directors whose terms expire and who are coming up for reelection.

Mr. GESELL. That nomination blank advises all of your policyholders that any policyholder may become a candidate for director?

Mr. MOOERS. That is right. There is a letter that goes along with that, Mr. Gesell, that explains in detail the procedure for the nomination of directors.

Mr. GESELL. Is that letter sent to every one of your policyholders?

Mr. MOOERS. That is sent to every one of the policyholders.

Mr. GESELL. In all 34 States?

Mr. MOOERS. In all 34 States.

Mr. GESELL. And with that letter goes a nomination blank upon which the policyholder may write the name of anyone he wishes to nominate?

Mr. MOOERS. That is right.

Senator KING. Under what law are you incorporated?

Mr. MOOERS. We have a charter from the Congress of the United States. I might say we are the only life insurance company that has such a charter.

Representative REECE. When did you mutualize?

Mr. MOOERS. We have always been a mutual company.

Senator KING. When did you obtain your charter?

Mr. MOOERS. In 1869.

Mr. GESELL. Is this the form of letter and nomination blank which is sent to the policyholder?

Mr. MOOERS. That is right.

Mr. GESELL. I wish to offer them for the record.

(The documents referred to were marked "Exhibit No. 253" and are included in the appendix on p. 1550.)

Mr. GESELL. At the same time do you also send to the policyholders a report on your company's activities for the previous year?

Mr. MOOERS. Yes.

Mr. GESELL. What kind of information is in that report?

Mr. MOOERS. We give them a complete financial statement covering the activities of the company and its financial standing.

Mr. GESELL. So when the policyholder receives this nomination blank he has some indication of what the company has done in the previous year, does he not?

Mr. MOOERS. Yes.

Mr. GESELL. And he has that before him in determining whether he wishes to make a nomination of someone else for the board of directors?

Mr. MOOERS. Yes.

Mr. GESELL. What is the procedure after that?

Mr. MOOERS. Then each policyholder has until the 15th of January to send back to the company his nominations.

Mr. GESELL. When does he receive this, sometime in November?

Mr. MOOERS. Yes; it is sent out the latter part of November. Under the bylaws it must be sent out prior to the 15th of December. It is our practice to send these nomination blanks and letters out the latter part of November.

Mr. GESELL. So the policyholder, it is safe to say, has at least a month to consider this thing?

Mr. MOOERS. Oh, yes; more than a month always.

Mr. GESELL. How many policyholders must nominate an individual for him to be included on the slate?

Mr. MOOERS. Twenty-five.

Mr. GESELL. In other words, if 25 of your policyholders nominate the same individual, he then is a candidate for the board of directors?

Mr. MOOERS. That is right.

Mr. GESELL. Will you tell us what the procedure is when these nominations come in?

Mr. MOOERS. Then these nominations as they come in, of course, are counted and checked to see if any policyholder does receive the required 25 in order to put his name on the ballot, and then a report is made by the secretary to the board of directors at their meeting the fourth Wednesday in January, and merely as a formality the board of directors declares as nominees for directors those who have received the required number of nominations, and those names are automatically put onto the ballot.

Mr. GESELL. What happens after that?

Mr. MOOERS. Then, as I say, these names of the policyholders who have received at least 25 nominations are printed on the ballot and we send out to the policyholders a ballot and a proxy form. There are two forms of proxies that go along with the ballot, one to William Montgomery, as president of the company; the other in blank for the policyholder to fill in any name that he might want to fill in. Along with that is the ballot itself, and we explain to the policyholder that

he can send in either proxy or he can send in the ballot itself by mail or, of course, he can vote personally if he wants to do so.

Mr. GESELL. Let us see if I understand you. If I am a policyholder and receive this proxy and ballot, I can do one of three things, can I not? I can send my proxy in to the designee of the company; I can send my proxy in to anyone else whom I desire to designate as my proxy?

Mr. MOOERS. That is right.

Mr. GESELL. Or I may file a ballot, voting for one or all of the directors I desire to have elected?

Mr. MOOERS. Exactly.

Mr. GESELL. Now on that ballot do you list both those directors who are up for renomination and the names of any directors who have been nominated by the policyholders?

Mr. MOOERS. That is right.

Mr. GESELL. And has it happened in the history of your company that there are frequently men nominated by the policyholders?

Mr. MOOERS. Yes.

Mr. GESELL. And the name of this new nominee along with the directors who are up for renomination appears on the ballot?

Mr. MOOERS. That is right.

Mr. GESELL. And the policyholder is instructed how many names he may vote for?

Mr. MOOERS. That is right.

Mr. GESELL. He can strike out somebody on the old management and substitute a new nominee?

Mr. MOOERS. That is right.

Mr. GESELL. Or he can vote for the old management?

Mr. MOOERS. Exactly.

Mr. GESELL. Or he can vote only for the new nominees?

Mr. MOOERS. Yes.

Mr. GESELL. Is this sheet which I show you the form of the proxy and ballot which is used by your company?

Mr. MOOERS. That is the form.

Mr. GESELL. Now is that sent to every policyholder?

Mr. MOOERS. Yes.

Mr. GESELL. With it is there sent an envelope with postage prepaid so that the policyholder may vote without cost?

Mr. MOOERS. Yes; the business reply envelope which is the same thing, with prepaid postage.

Mr. GESELL. If it is mailed.

Mr. MOOERS. Yes; and of course there is notice of the annual meeting that goes along with that ballot, so they know the time and the place of the meeting, and the number of directors who are coming up for reelection. I believe you have that form there.

Mr. GESELL. They do not have to attend the meeting to vote, however, do they?

Mr. MOOERS. Oh, no.

Mr. GESELL. I wish to offer this form of proxy and ballot.

The VICE CHAIRMAN. They may be included in the record.

(The documents referred to were marked "Exhibit No. 254" and are included in the appendix on p. 1551.)

Mr. GESELL. You actually have meetings of your policyholders?

Mr. MOOERS. Yes.

MR. GESELL. The election is held in a polling place where the electors can gather and hold a meeting?

MR. MOOERS. Yes; they can.

MR. GESELL. The management is there for questioning, is it not?

MR. MOOERS. Yes.

MR. GESELL. Now when these ballots and proxies come in is any attempt made to verify them?

MR. MOOERS. Well, every proxy and ballot that goes out has the name of the policyholder imprinted on it with the addressograph plate, and of course we have the signature of the policyholder when it comes in. The ballots are kept in a ballot box as they are received. That ballot box is opened when we have our annual meeting, and the committee on elections takes charge of the ballots and goes over every single one.

MR. GESELL. And verifies it?

MR. MOOERS. And verifies them.

SENATOR KING. Under your charter is there any supervision exercised by the Federal Government or any of its agencies?

MR. MOOERS. Not by the Federal Government. We operate under the jurisdiction of the States in which we are licensed.

SENATOR KING. However, your charter is a Federal charter?

MR. MOOERS. The charter is a Federal charter and can only be amended by act of Congress.

SENATOR KING. I was wondering if the Federal Government, after giving you the charter, reserved to itself any authority to superintend in any way the activities of your organization.

MR. MOOERS. As far as I know they have never exercised that right, although undoubtedly they have it.

SENATOR KING. But there is no provision in the charter as far as you know that gives to the Secretary of State or to some person representing the District of Columbia authority to supervise your organization?

MR. MOOERS. Not as far as I know.

MR. GESELL. You are supervised by the Insurance Commissioner of the District of Columbia?

MR. MOOERS. Oh, yes.

MR. GESELL. Do you use your agency force in any way to get in proxies and ballots?

MR. MOOERS. Not at all.

MR. GESELL. No instructions go out to the agents, no ballots go out to them, no proxies go out to them?

MR. MOOERS. None whatsoever; they receive their own ballots, own notices, and own nomination blanks as policyholders of the company, but that is all.

MR. GESELL. And this procedure is entirely voluntary on the part of the policyholder, is it not?

MR. MOOERS. Entirely.

MR. GESELL. Now just for example, in 1938, am I correct in stating that there were some 43 different people suggested as new nominees for the board of directors by the policyholders?

MR. MOOERS. I believe that is correct.

MR. GESELL. And there were sufficient votes for one of those to warrant his name being placed upon the ticket?

MR. MOOERS. That is right.

The VICE CHAIRMAN. How many does that require?

Mr. MOOERS. Twenty-five.

The VICE CHAIRMAN. You got 25 votes?

Mr. MOOERS. Nominations.

Mr. GESELL. His name went onto the ticket as nominee?

The VICE CHAIRMAN. How many votes did he get in the election?

Mr. MOOERS. I would say about 26,000, as I recall it.

The VICE CHAIRMAN. This man did?

Mr. MOOERS. Yes.

The VICE CHAIRMAN. Was he a very prominent man in Masonic organization, or any other organization?

Mr. MOOERS. No; he is not a Mason. I will be glad to tell you his name, if you would like to know his name. He is quite prominent in Washington, D. C.

The VICE CHAIRMAN. What is his name?

Mr. MOOERS. James Colliflower.

The VICE CHAIRMAN. How many votes were cast in that election?

Mr. MOOERS. As I recall it—altogether you mean, the proxies as well as the ballots themselves? The total vote cast, as I recall it, was about 26,000 or 27,000.

Mr. GESELL. Was this man elected?

Mr. MOOERS. Yes.

Mr. GESELL. Have you before you some figures that would tell us the total number of votes that had been cast in your recent meeting, say from 1934 to date?

Mr. MOOERS. I do not have those figures. I can tell you quite closely what those figures were, because I have them pretty well in mind.

Mr. GESELL. And will you indicate as you proceed about what percentage of the total policyholders qualified to vote these votes constituted?

Mr. MOOERS. What percentage of the total number of policyholders?

Mr. GESELL. Yes.

Mr. MOOERS. Well, we have had anywhere from 120,000 to 126,000 policyholders during that period of time. I would say on the average about 1,000 or 1,200; that is approximately the current figure anyway. The policyholders send in their ballots by mail.

Mr. GESELL. What percentage, approximately, has voted during these elections?

Mr. MOOERS. Voted by mail?

Mr. GESELL. Voted in any manner.

Mr. MOOERS. Well, now, by proxies there are about 25,000, I should say, ballots that are cast, and from 1,000 to 1,200 actually received through the mail. There are a few policyholders who actually come and vote in person because they have the right to vote by mail and seem to prefer to mail it in, or give a proxy.

Mr. GESELL. My question is, taking the total number of policyholders qualified to vote, can you tell us what percentage of those policyholders approximately have voted in the recent elections?

Mr. MOOERS. Either by proxy—

Mr. GESELL. In any manner.

The VICE CHAIRMAN. Each method.

Mr. MOOERS. That would run about 25 percent.

Mr. GESELL. Taking all manners, around 25 percent have voted?

Mr. MOOERS. Approximately.

Mr. GESELL. Now, how many of those vote by proxy?

Mr. MOOERS. Most of them vote by proxy.

Mr. GESELL. Do the rest of them vote by mail?

Mr. MOOERS. Yes; with the exception of a few.

Mr. GESELL. Two or three vote in person?

Mr. MOORE. Yes.

Mr. GESELL. Now will you give us the figures with respect to the number of policyholders that have voted in your recent elections?

Mr. MOOERS. In 1934 we have 24,339 here; in 1935, we have 20,864; in 1936, 26,587; in 1937, 27,002; in 1938, 26,400.

Mr. GESELL. And during that time what did you say your total number of policyholders qualified to vote was?

Mr. MOOERS. From 120,000 to 126,000.

Mr. GESELL. So you had about 25 percent voting?

Mr. MOOERS. Approximately.

The VICE CHAIRMAN. And will you state what percentage or what number of those voting voted by a ballot?

Mr. MOOERS. By ballot, about 1,000 or 1,200.

The VICE CHAIRMAN. In each of those elections?

Mr. MOOERS. Yes, about that, running from 500 up to 1,200, I would say.

The VICE CHAIRMAN. How many of those who voted by proxy gave their proxies to other than officials of the organization?

Mr. MOOERS. Why, not a great many. There were a few but not many. You mean given proxies to other than officers of the company?

The VICE CHAIRMAN. That is right.

Mr. MOOERS. There were a few scattered, maybe 25 or 30 or a few more.

The VICE CHAIRMAN. A negligible number?

Mr. MOOERS. Yes.

The VICE CHAIRMAN. So the situation is that most of the voting is done at least indirectly by the officers of the company?

Mr. MOOERS. That is right.

Mr. GESELL. I have no further questions of this witness.

Mr. PATTERSON. I would like to ask you, are you doing business in New York State?

Mr. MOOERS. No; we are not.

Senator KING. Are your directors selected from a few or a large number of States?

Mr. MOOERS. From a few.

Senator KING. What States?

Mr. MOOERS. There is one director from West Virginia; we have had one from Oregon; we have had two or three from Virginia; but most of the directors are from the District of Columbia. Our directors are very active in the operation of the company and the supervision of all of the activities of the company.

Senator KING. How many directors reside outside of the District of Columbia?

Mr. MOOERS. Now?

Senator KING. Yes.

Mr. MOOERS. One director resides in West Virginia and the rest are here in Washington, D. C.

Senator KING. So that those who vote in California or Florida or any other State usually vote for residents of the District of Columbia?

Mr. MOOERS. Yes.

The VICE CHAIRMAN. What percentage of your policyholders are in the District of Columbia or the territory reasonably contiguous?

Mr. MOOERS. We have about 12,000 policyholders here out of our 126,000—about 10 percent.

The VICE CHAIRMAN. You send out on two different occasions letters to your policyholders each year, don't you?

Mr. MOOERS. Yes; sometimes three. The president of the company prepares a very complete report after the books are closed on the activities of the company.

The VICE CHAIRMAN. Have you any estimate of the expense of sending out each letter to each individual?

Mr. MOOERS. Well, I was thinking the other day it might run around 10 cents a letter, and sending out 126,000, you see what the cost would be of sending them out. It is a real item of expense.

The VICE CHAIRMAN. Ten cents for each letter or 10 cents for the three letters?

Mr. MOOERS. Ten cents apiece would be a nearer estimate of the cost, I would guess.

The VICE CHAIRMAN. Stationery and postage?

Mr. MOOERS. Stationery, postage, return postage, handling through the addressograph department, and mailing them.

Senator KING. Do you frequently have any person elected who is not on the slate, who is not already a director?

Mr. MOOERS. Oh, yes. There are constant changes in the board of directors, such as Mr. Colliflower, whom you just mentioned as a new man elected to the board. We must have a minimum of 21 directors according to our charter.

The VICE CHAIRMAN. Do those changes result from nominations by policyholders of new men to the board of directors?

Mr. MOOERS. All of the nominees for the board of directors must receive nominations of 25 policyholders.

Mr. GESELL. Yes; but where a new name has been added to the slate by reason of 25 policyholders making him a new nominee, has that new nominee been elected?

Mr. MOOERS. Usually not.

Mr. GESELL. In some cases he has been elected?

Mr. MOOERS. I don't know of an instance, Mr. Gesell, where he has.

The VICE CHAIRMAN. You were speaking of Mr. Colliflower a moment ago. Did he go on, if I may use the expression without offense, as a slate candidate, or did he go on as a candidate running against somebody suggested by the management?

Mr. MOOERS. We don't have company slates and opposition slates. I am not familiar with the practices of other companies in that connection.

The VICE CHAIRMAN. I know you don't.

You send out the list of your present directors who are up for reelection?

Mr. MOOERS. Yes.

The VICE CHAIRMAN. And Mr. Colliflower's name was not one of those suggested in that letter for reelection because he wasn't a director.

Mr. MOOERS. No. When the nomination blanks went out his name wasn't on there; only the names of those directors whose terms expire are on that nomination blank; but there is a space for the policyholders to put in the names of any other men whom they prefer to nominate instead of the men whose terms expired, and Mr. Colliflower received at least 25 nominations to put his name on the ballot that went out later on.

Senator KING. I don't quite understand the mechanics yet. Suppose that you have an election next year and all of the present directors are candidates for reelection. How are the policyholders advised that those same persons are candidates for reelection?

Mr. MOOERS. Suppose I tell you what we are going through right now that might make that clear to you. We sent out in the latter part of November a list of the directors whose terms are expiring, in this nomination blank that Mr. Gesell has just given you. We have already received back enough nominations to renominate those directors whose terms are expiring and we have also received enough nomination blanks from policyholders to nominate a man from Birmingham, Ala., a rather prominent man down there, whose name has been placed on the ballot along with the directors whose terms are expiring, who have been renominated. It has just been sent out to our policyholders.

Senator KING. So that this so-called independent ticket would consist of one nonmember of the board, and all the rest are present members of the board?

Mr. MOOERS. That is right.

Senator KING. In how many instances since you have been secretary has there been a nonmember of the board voted for; that is, received enough ballots to place his name upon the final ticket?

Mr. MOOERS. There have been a number, where there have been deaths on the board or where it was necessary to increase the number on the board.

Senator KING. In how many instances have there been contests where the contesting party defeated a present member or a sitting member of the board?

Mr. MOOERS. I don't recall such cases as that. I doubt that there have been.

Senator KING. You don't recall a case where a sitting member of the board was ever defeated by an independent candidate?

Mr. MOOERS. No.

Mr. PATTERSON. I would like to know, have you had any contests? It isn't quite clear to me. Have you had any contests?

Mr. MOOERS. Just what do you mean by contests?

Mr. PATTERSON. I mean contests. Have independent outsiders been proposed for membership on the board, and have they fought the candidates of the management?

Mr. MOOERS. No. Usually a policyholder who feels that it is good advertising for him to get his name on the ballot will get 25 or 30 of his friends to send his name in. He may be engaged in some activity in another city and knows it is quite an honor to be a member of the board, and he will get his name in his local paper as being

nominated, but he has never pushed it actively because I doubt if he expected to be elected.

Mr. PATTERSON. That is all true, I quite agree with you, but so far as you know, there have been no real contests for election to the board?

Mr. MOOERS. No.

Senator KING. As I understood the witness, there has never been a successful contest.

Mr. MOOERS. No.

Mr. DOUGLAS. In connection with the 25,000 or 26,000 who turn in their proxies, are most of those proxies signed by policyholders who were not employees or officers of the company?

Mr. MOOERS. Oh, yes. You see, we have only 400 employees here in the home office and there are about 25,000 proxies.

Mr. DOUGLAS. From your observation, would you think that the system that you employ would be a practicable one if your company doubled in size or trebled in size? Does it have any relationship to size?

Mr. MOOERS. Well, we have used this system ever since the company has been in operation and we now have over \$401,000,000 of business in force. I see no reason why the company couldn't be operated just as effectively when we have twice that volume of business. It would cost a little bit more to send out the nomination blanks, the election ballot forms, but the cost per policyholder should be even less as the company grows.

Mr. DOUGLAS. I understood you to say you do not write industrial insurance.

Mr. MOOERS. No; we have no policies less than \$1,000, and no doubt that would have an effect on the cost.

Senator KING. If a great deal of your business were industrial business and in centers of population where a considerable part of the population consisted of Italians and others who perhaps were not fully indoctrinated into American ways, some different questions would be presented then.

Mr. MOOERS. Oh, yes; it might not be at all practicable then; if we had 2 hundred, 3 hundred, and 4 hundred dollar policies it might not be practical to follow this plan we follow.

Mr. GESELL. I have no further questions of this witness.

(The witness, Mr. Samuel E. Mooers, was excused.)

Mr. GESELL. The next witness is Mr. Smith.

The VICE CHAIRMAN. Mr. Smith, will you be sworn. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SMITH. I do.

TESTIMONY OF HERBERT S. SMITH, LEGAL DEPARTMENT, MUTUAL LIFE INSURANCE CO. OF NEW YORK, NEW YORK, N. Y.

ELECTION OF DIRECTORS—MUTUAL LIFE

Mr. GESELL. Will you state your full name, please?

Mr. SMITH. Herbert S. Smith.

Mr. GESELL. Are you employed by the Mutual Life Insurance Co. of New York?

Mr. SMITH. I am.

Mr. GESELL. In what capacity?

Mr. SMITH. In the legal department of the company.

Mr. GESELL. Are you familiar with the practices of your company in connection with the election of directors?

Mr. SMITH. I am. We call our directors trustees.

Mr. GESELL. Is there any distinction at law between a trustee and a director?

Mr. SMITH. No; there is not. I believe the corporation law of New York classes directors and all people who act in that capacity the same as trustees.

Mr. GESELL. Will you tell us the procedure which is followed by the Mutual Life Insurance Co. in connection with the election of directors?

Mr. SMITH. Well, section 94 of the New York insurance law makes it incumbent upon the present board at least 7 months prior to the date of election to nominate candidates for every vacancy on the board.¹ That will be in our case 36 candidates.

Mr. GESELL. You have a board of directors of 36 people?

Mr. SMITH. 36; yes, sir.

Mr. GESELL. Are all of those directors reelected each year?

Mr. SMITH. Yes; they have been and will be up to the election this year.

Mr. GESELL. Or it is every other year?

Mr. SMITH. Every 2 years; pardon me.

Mr. GESELL. Every other year all 36 directors come up for reelection.

Mr. SMITH. That is correct.

Mr. GESELL. Will you go on, sir.

Senator KING. Unless some of them die in the meantime, and I suppose you don't have immortality with your directors.

Mr. SMITH. Unfortunately we do not.

The board having made the nominations, the certificate of nomination is executed in duplicate and filed with the superintendent of insurance at Albany, and with the home office, and that ticket is designated by the statute, section 94, as the "administration ticket." Within 5 months of the election policyholders may make nominations, independent nominations. If no independent nominations are filed, sometime subsequent to the expiration of the period the superintendent of insurance usually notifies the company of that fact and they prescribe the ballot, the form of the ballot, and as he is empowered to do under section 94, he prescribes rules and regulations for the conduct of the election.

Mr. GESELL. Since 1913 there have been no contested elections at the Mutual Life, have there?

Mr. SMITH. No, there have not; and that was not a contested election.

Mr. GESELL. We will come to that. Then do I understand that there has always been simply an administration ticket of the policyholders since that time?

Mr. SMITH. That is correct.

Mr. GESELL. What kind of notice is given to the policyholders of their right to participate in these elections?

¹ See "Exhibit No. 232", appendix, p. 1522, at p. 1523.

Mr. SMITH. Since about the first of 1936, I should say, along about 1936, a notice has been printed on the premium receipts which are sent to the policyholders, either annually or semiannually or quarterly as their premiums may be paid. Every time they get a premium notice, they get a form of premium receipt which accompanies that with notice of the election on it.

Mr. GESELL. Possibly you can answer the question I directed to Mr. Judson. Was the use of this notice on the premium receipt the result of a requirement suggested by the superintendent of insurance in the State of New York?

Mr. SMITH. Yes; I should say it was.

Mr. GESELL. He wrote a letter, did he not, to all of the companies operating in—

Mr. SMITH (interposing). Promulgated a ruling, I would say.

Mr. GESELL. Which required this notice on premium receipts.

Mr. SMITH. That is correct.

Mr. GESELL. Your company had not prior to that time given any notice on the premium receipt?

Mr. SMITH. We had not, to my knowledge.

Mr. GESELL. Is it correct to say that you adhere to the minimum statutory requirements with respect to notice?

Mr. SMITH. Yes; that is so. That is, we do nothing in addition to what the superintendent of insurance prescribes and the statute prescribes we shall do.

Mr. GESELL. You put notice in the New York local papers for the period of time prescribed, and you put notice on the premium receipt?

Mr. SMITH. Yes, sir; as directed by the insurance department.

Mr. GESELL. Are any proxies or ballots sent out to your policyholders at all?

Mr. SMITH. Only in very rare instances where there may be some special request for it. No ballots are sent out to anyone.

Mr. GESELL. There are no ballots printed for general distribution to the policyholders.

Mr. SMITH. No.

Mr. GESELL. You do send an occasional proxy to a policyholder who indicates an interest in voting?

Mr. SMITH. We would; yes.

Mr. GESELL. There are not very many of those, are there?

Mr. SMITH. Very few.

The VICE CHAIRMAN. How many of your policyholders request a blank upon which they can indicate their choice?

Mr. SMITH. To the best of my recollection, we probably have not had more than four a year, and maybe less, for the past three elections. Previous to that I don't recall.

The VICE CHAIRMAN. How many policyholders do you have?

Mr. SMITH. We have approximately 800,000, a little over that.

The VICE CHAIRMAN. Four out of 800,000 get nervous about the situation and want to vote.

Mr. SMITH. That seems to be the case; yes, sir.

The VICE CHAIRMAN. What percentage of your people live in the neighborhood of New York; I mean what percentage of your policyholders live in the neighborhood of New York?

Mr. SMITH. I don't know, I have never seen any record of that.

Mr. GESELL. You sell insurance in every State in the country, do you not?

Mr. SMITH. Every State with the exception of Texas.

Mr. GESELL. And your policyholders may be more in one State and less in another, but you have policyholders in every State except Texas.

Mr. SMITH. Yes, sir. There are still some policyholders in Texas.

The VICE CHAIRMAN. The point I was trying to get at is this: This newspaper publicity which is supposed to have some purpose is confined to two newspapers each time in the city of New York, is that right?

Mr. SMITH. That is correct, and that is done in accordance with the regulation prescribed by the superintendent of insurance.

The VICE CHAIRMAN. I understand.

Representative REECE. What type of insurance do you sell? Do you sell industrial insurance?

Mr. SMITH. No; only straight life.

The VICE CHAIRMAN. May I ask you this question as a practical proposition: All this arrangement with reference to the opportunity of policyholders to vote—has that arrangement at any time resulted in serious effort on the part of the policyholders to establish an independent control of the organization?

Mr. SMITH. Not in my experience.

Mr. GESELL. Let me ask you this. Do you make any use of your agency force in any way in getting in proxies and ballots?

Mr. SMITH. Absolutely not.

Mr. GESELL. Do you give your policyholders any notice that they have a right to make independent nominations to the board of directors?

Mr. SMITH. Only the reference to the statute, section 94, in the notice on the premium receipt.

Mr. GESELL. That is after the time for independent nomination has passed, is it not, Mr. Smith?

Mr. SMITH. No; they get that every time they get a premium receipt.

Mr. GESELL. Oh, you mean the premium receipt recording the fact that the elections are conducted pursuant to section 94 of the New York statute.

Mr. SMITH. Yes, sir.

Mr. GESELL. You do not specifically call to their attention that section 94 of the New York statute provides for independent nominations to the board.¹

Mr. SMITH. Not by any public notice. We have done that sometimes in writing policyholders who have inquired about the election.

Mr. GESELL. If someone expresses an interest, you do give more details.

Mr. SMITH. Yes.

Mr. GESELL. Have you with you a record of the voting in the 1938 election?

Mr. SMITH. There was no election in 1938.

Mr. GESELL. Your last was 1937?

Mr. SMITH. '37.

Mr. GESELL. How many votes were cast in 1937? Was it 177?

Mr. SMITH. One hundred and seventy-seven, I think, is correct.

¹ See "Exhibit No. 232", appendix, p. 1522, at p. 1523.

Mr. GESELL. Is it correct to state that all of those votes were cast in person except for one vote which was cast by proxy and one which was cast by mail?

Mr. SMITH. I think that is so, I wouldn't want to say [examining records]. Yes; one by proxy and one by mail, the rest were cast in person.

Mr. GESELL. One hundred and seventy-five votes were cast in person?

Mr. SMITH. Yes, sir.

Mr. GESELL. Were those votes by home office employees, Mr. Smith, in large part?

Mr. SMITH. Probably they were. There may have been some policyholders who were not connected with the company who came in and voted, but undoubtedly a majority of them were home-office employees, or someone connected with the company.

Mr. GESELL. So the majority of the votes, then, were cast by someone connected with the Mutual Life Insurance Co.?

Mr. SMITH. Yes.

Mr. GESELL. Let us take your previous election. That was in 1935, was it not?

Mr. SMITH. Yes, sir.

Mr. GESELL. How many votes were cast then?

Mr. SMITH. I couldn't say. Those figures are all set forth in full in schedule L that accompanies the company's annual statement that goes to the insurance department of every State and is a public record.

Mr. GESELL. I have handed you a document which will enable you, I think, to answer the question I have just asked as to how many votes were in cast in 1935.

Mr. SMITH. One hundred and forty.

Mr. GESELL. Were those votes all cast in person?

Mr. SMITH. One hundred and thirty-nine were cast in person and 1 was cast by proxy.

The VICE CHAIRMAN. Just a minute on that point. Are those votes in the main cast by the office force, the organization in the building?

Mr. SMITH. Not necessarily in the building. They may come from the agencies, but a great many of them would come from the home-office building.

Senator KING. They were all policyholders, of course.

Mr. SMITH. No one but a policyholder may vote under the law. The election is entirely in the hands of the inspectors.

Mr. GESELL. I would like to go back a little more into more ancient history a moment, Mr. Smith. In 1923 you had 36 directors up for election, did you not?

Mr. SMITH. Yes, sir. That is, the ticket was complete when the vote was cast. If a candidate should die or resign within a 5-month period the ticket could not be filled until the new board was elected and organized.

Mr. GESELL. Your best recollection is that there were 36 directors on the 1923 election?

Mr. SMITH. We will assume that is so.

Mr. GESELL. How many votes were cast at that election, Mr. Smith? Was it not 21 votes?

Mr. SMITH. That is right.

Mr. GESELL. There were 21 votes cast for 36 directors. Do you know whether those votes were cast by home office employees?

Mr. SMITH. I believe they were. There are one or two names there that I am not quite sure of.

Mr. GESELL. Looking at a list of the persons who voted at that election, am I correct in saying that except for one or two names you cannot identify, you identify all the names as being home office employees who voted on this occasion?

Mr. SMITH. That is correct.

Mr. GESELL. With respect to the election immediately preceding that in 1921, is it correct to state that some 36 directors were elected by 25 votes?

Mr. SMITH. I am willing to accept your statement if that is in accordance with the record.

Senator KING. I suggest in order to expedite the matter the counsel just state what the fact is and let them answer because obviously there is no controversy.

Mr. GESELL. That is the last one, Senator.

Mr. SMITH. That is correct.

Mr. GESELL. Were those votes cast entirely by home-office employees?

Mr. SMITH. Either by home-office employees, I should say, or persons connected with the company.

Mr. GESELL. How many contested elections have there been in the history of the Mutual Life since 1906?

Mr. SMITH. That antedates my practical experience, but I think there were two.

Mr. GESELL. One in 1906 and one in 1911, is that correct?

Mr. SMITH. That is correct.

Mr. GESELL. In 1906 there was a complete rival slate, is that not correct?

Mr. SMITH. I think there were several.

Mr. GESELL. And several different slates?

Mr. SMITH. Yes.

Mr. GESELL. The administration's ticket won out, did it not?

Mr. SMITH. It did.

Mr. GESELL. In 1911 there was simply one independent nominee, is that not correct?

Mr. SMITH. That is my recollection; yes.

Mr. GESELL. He was defeated?

Mr. SMITH. I think that is also correct.

Mr. GESELL. Have you a record as to the votes cast as opposed to the total votes cast for the administration's directors on that occasion?

Mr. SMITH. I am not certain we have.

Mr. GESELL. Can you give me an approximate figure, Mr. Smith.

Mr. SMITH. I could not. Mr. Bell told me it was about 13,000.

Mr. HAUGHTON BELL (of counsel). I think it was about 13,000 to 2,000.

Mr. GESELL. About 13,000 to 2,000?

Mr. BELL. That is my recollection. We can verify it.

Mr. GESELL. Were you connected with the company in 1913?

Mr. SMITH. Yes, sir.

Mr. GESELL. Are you acquainted with what happened on that election with respect to an independent nominee?

Mr. SMITH. Very vaguely if at all. I had nothing to do with the elections prior to '21.

Mr. GESELL. The gentleman who handled that is now dead, is he not?

Mr. SMITH. To the best of my knowledge there is no one now alive who would be familiar with the three elections.

Mr. GESELL. For the benefit of the committee, at some later date would it be possible for you to prepare for us a memorandum of what happened on the occasion of those three elections so that we may have it for the record?

Mr. SMITH. We could prepare a memorandum from such information as we can find in our files.

Mr. BELL. The figures for the 1911 election were approximately 13,000 to approximately 2,200.

Mr. GESELL. That was in 1911?

Mr. BELL. Yes.

Senator KING. Was that an entire new slate?

Mr. BELL. Only one man was nominated on the independent ticket, sir.

Senator KING. He received 2,000 votes.

Mr. BELL. Twenty-two hundred votes and the administration's ticket about 13,000 votes.

Mr. GESELL. I believe you stated in the early part of your testimony that beginning in 1939 there will be a slightly different procedure followed with respect to the election of directors.

Mr. SMITH. There will be; yes.

Mr. GESELL. Am I correct in saying that instead of reelecting the entire board every 2 years, the charter of the Mutual Life has been amended to provide for the election of a third of the board every year?

Mr. SMITH. That is correct.

Mr. GESELL. Are you acquainted with why that change was made in the charter of your company?

Mr. SMITH. It was, as far as I know, made—what I did in connection with it was done at the direction of the vice president and general counsel.

Mr. GESELL. Some work on the mechanics? Do you know why it was done?

Mr. SMITH. No; I do not. I assume, if you want my assumption, that it was done because the New York law was amended permitting such a change, in 1927, I think, and it might have been deemed poor policy to have a board of 36 experienced men all go out in 1 year, possibly.

Mr. GESELL. The result of it will be that if someone wishes to place a majority of his designees on the Board of Directors he will have to prevail in two contested elections, rather than in one, is that not correct?

Mr. SMITH. That is so; yes, sir.

Senator KING. I assume the belief was that by staggering the membership it would have some better results in administration. Instead of all of them going out at once you would have the majority of them remain in office constantly; that is to say, until the next election.

Mr. SMITH. That is probably so. Undoubtedly the fact that the company's original charter provided for four classes of trustees may

have had something to do with it; that was the original idea of the incorporators of the company.

Senator KING. With different terms of office when you had four?

Mr. SMITH. Prior to 1906 the board was in classes, the insurance law after the Armstrong investigation provided that the entire board should go out every 2 years, or at times, in 1 year. In 1927 the insurance law was amended to permit the companies to amend their charters so that the board could be set down in three classes. I assume the insurance department thought that was a wise thing.

Senator KING. So you just followed the changes made in the statute of New York?

Mr. SMITH. Correct.

Mr. GESELL. The statute was permissive and not mandatory, was it not?

Mr. SMITH. Yes.

Mr. GESELL. I have no further questions.

Mr. DAVIS. Mr. Smith, as I understand, your company observes the minimum requirements of the New York statute with respect to giving notice to policyholders of elections and nominees, but you do no more than that unless it be upon request. Is that correct?

Mr. SMITH. That is so.

Mr. DAVIS. Is there anything in the New York statutes which restrict you to this particular character of notice; that is, advertisements in two New York papers and then the information on the premium receipts that elections are held according to a certain section of the statute?

Mr. SMITH. Do you mean that we might do something in addition to the statute?

Mr. DAVIS. Oh, yes; if you desired to do so, it would be perfectly legal for you to give other further notice to your policyholders of those matters.

Mr. SMITH. It would be legal, I should say. The insurance department might question the additional expense.

Mr. DAVIS. Have you ever made any inquiry of the insurance commissioner as to whether they had any objection to you informing your policyholders of these matters?

Mr. SMITH. Not to my knowledge.

Mr. DAVIS. Do you really think they would have any objection?

Mr. SMITH. I couldn't say, sir.

Mr. DAVIS. While theoretically yours is a mutual company in which each policyholder is legally entitled to participate in the elections of the board of directors, yet in actual practice is it not a fact that your board of directors and your officers are self perpetuating?

Mr. SMITH. In view of the experience in 1906, I would question that.

Mr. DAVIS. That was an upheaval following the Hughes report, was it?

Mr. SMITH. Yes; that was immediately following the Armstrong investigation.

Mr. DAVIS. But with that exception, the board of directors have been elected which were slated by the existing officers, and the officers in turn were elected by the board so elected. That is correct, is it not?

Mr. SMITH. Well, the statute gives the policyholders ample means of expressing their feelings if they wish a change. The fact that they make no move I should say was indication that over a long period of years there was no general desire to do so.

Mr. GESELL. Mr. Smith, if a policyholder didn't happen to read the New York Times or the New York Journal of Commerce, or happen to look on the back of his premium receipt, he would have no way of knowing that he had any rights in the matter at all, would he?

Mr. SMITH. He would have no public notice.

Mr. GESELL. How would he get any private notice?

Mr. SMITH. If he was very much interested he certainly could be enlightened on the subject. There are insurance departments in every State who would undoubtedly inform any policyholder who wanted information on the subject.

Senator KING. Isn't there an assumption that a man who obtains a policy, if he is interested enough to go to a company, interested enough to inquire as to the best company, and he gets a policy, that he will make some inquiry as to his rights under the policy, the benefits to be derived, and the disadvantages which will result?

Mr. SMITH. I should think so.

Senator KING. Much the same as an industrial or other corporation, a man buying stock in a corporation, if he does not go to the law under which it is incorporated, the charter of the company to determine just what his obligation is and liabilities are, he may sometimes be rudely awakened and find that he had assumed obligations that he was not aware of? In other words, a caveat emptor has some little application if a man buys stock or if he obtains an insurance policy?

Mr. SMITH. I should say that was so.

Mr. GESELL. Well, now, Mr. Smith, let us suppose I was well informed as a policyholder of your company concerning the election laws in the State of New York, and of the rights that I had as a policyholder, I would still be a long way from having my opinions expressed through my representative on the board of directors, would I not? I would have to get a list of your policyholders first of all. I would have to petition the State insurance commissioner to get that. When you gave me the list it would contain many millions of names. I would then have to solicit that list at my own expense, would I not? There are some practical difficulties, in other words, if someone wishes to have his position or his point of view expressed on the board of directors of your company?

Mr. SMITH. Yes; there are some difficulties. I think there should be.

Mr. GESELL. Well, I understood you to say to Senator King that the law gave ample opportunity to a policyholder in this regard and I was simply trying to find out whether you felt the law was such as to make it an easy and a relatively simple matter for the policyholder.

Mr. SMITH. Why, there are a great many policyholders. I should say that it would be much easier to find them.

Mr. PATTERSON. Mr. Smith, what do you mean when you say there should be difficulties for the policyholder? I don't quite follow you there.

Mr. SMITH. I meant a single policyholder. What I meant was that it is a very expensive thing for a company to have to file a list of all its policyholders, and if one policyholder out of one million or more could do that, why the company would be kept at a constant expense.

Mr. PATTERSON. Mr. Smith, I don't mean to embarrass you. You really do not feel that there should be difficulties in the way of the policyholder? You want to make it as easy as possible, do you not?

Mr. SMITH. I do not mean it that way at all.

Mr. PATTERSON. But you did say there should be difficulties.

Mr. SMITH. I did not mean it that way. What I meant was that there should be some provision limiting the number of policyholders to put the company to the expense of compiling policy lists, and sending out ballots to one million or more policyholders under the election law.

Mr. PATTERSON. Thank you.

Mr. GESELL. I have no further questions.

Mr. BELL. May I ask one question?

The VICE CHAIRMAN. May I ask one question, if you please, sir? Is there anything peculiar about the organization of insurance companies? I think I would like to withdraw that question. Is there anything distinctive about the insurance company that would make problems of election by people in interest any different from that of a railroad company or any other corporation that has a large distributed ownership?

Mr. SMITH. I should say that there would be an analogous situation.

The VICE CHAIRMAN. Some things we are inquiring into here with reference to insurance companies are things that are probably common to the organization and operation of corporations with distributed ownerships.

Mr. SMITH. I would imagine so.

Mr. BELL. There were two communications from the superintendent of insurance, one of which has a bearing on the subject Mr. Patterson was asking about, which shows something of the evolution of the law, and the other is a letter which was found in our files addressed to the president of the New York Life Insurance Co. shortly after, or about the time of, one of these contested elections, which shows the theory of the law, and I think that perhaps while this subject is being considered, those might be read. They are not very long.

The VICE CHAIRMAN. Would you like to submit it for the consideration of the committee?

Mr. BELL. Yes, I would; particularly this recommendation to the legislature which was made by the Superintendent of Insurance of New York in 1915, and which I think had reference to the contested election of the Mutual Life in 1911, and showing that the expense and difficulty which one of these contests might put a company to would be great. Prior to that time nominations might have been made by 100 policyholders.

The VICE CHAIRMAN. If you appear in the capacity of a witness, in view of the rule which we have had, perhaps it would be just as well to be sworn.. Do you solemnly swear the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BELL. I do.

**TESTIMONY OF HAUGHTON BELL, ASSISTANT GENERAL COUNSEL
OF THE MUTUAL LIFE INSURANCE CO. OF NEW YORK, NEW
YORK, N. Y.**

The VICE CHAIRMAN. Now give your full name and relationship to the company.

Mr. BELL. Haughton Bell, assistant general counsel of the Mutual Life.

The VICE CHAIRMAN. Does this interfere with your program?

Mr. GESELL. I don't know how long it will take. It does not otherwise.

The VICE CHAIRMAN. Go ahead.

Mr. BELL. This is an extract from the fifty-sixth annual report of the superintendent of insurance for the State of New York, addressed to the legislature, under date of February 15, 1915. He says:

ELECTION OF DIRECTORS IN MUTUAL COMPANIES

A matter to which your attention has been drawn before is the provision of the Insurance Law respecting the election of directors of mutual companies. Under section 94 such companies are required to file with the department before each election of directors two complete lists of the names and post office addresses of their policyholders whose insurance has been in force twelve months prior thereto. Under the law it is a matter of no consequence whether there is a contest between opposing candidates for the position of director or not; the lists must be filed in any event.

It is submitted for your consideration, and the recommendation is made that an amendment be adopted which will obviate the necessity of filing the lists where there is no opposition to the election of the board proposed by the company. The preparing of the lists involves an expense which cannot be justified if no use is to be made of them. The filing of them on such occasions but burdens the records of the department and fills its storage rooms with a mass of material which serves no purpose whatever, but requires the time and care of department employees without any compensating benefit to the State or the policyholders of the companies.

There must be no weakening of the law which would impair in any way the rights of policyholders to select the directors of their respective companies, so I am not in favor of interfering with or amending those subdivisions of the section wherein the very elaborate and detailed method for conducting an election is set forth. In practice, the machinery proves expensive, but when used to determine a real and substantial contest for the election of directors it is worth all it costs, as it is a carefully worked out system for insuring to the policyholders, no matter where located, their right to vote, and also the careful canvassing of all votes cast. When, however, there is no opposition to the board nominated by the administration, or when there is a contest not instituted in good faith, then such expense is a sheer waste of policyholders' money, and is indefensible. The last contest of this latter kind in one of New York's largest mutual companies, although absolutely futile of result, cost over \$40,000.

To retain all that is precautionary and good in the election statute and at the same time overcome the defect pointed out, it is recommended that the law be amended so as to give the Superintendent a discretion in the matter of requiring companies to file a list of policyholders. If the department satisfies itself that there is a genuine and bona fide desire on the part of any considerable number of policyholders to nominate a board in opposition to that nominated by the administration, then the Superintendent should be permitted to order the list, or such portion of the list to be filed as would permit the dissatisfied policyholders to secure the names and addresses of as many more of their number as would be sufficient for their purposes in starting a campaign in opposition and placing a ticket of their own in nomination. In this connection it is suggested that in a company having over one hundred thousand policies outstanding, each in amount of \$1,000 or more, no separate ticket from that named by the company should be nominated on the petition of policyholders less in number than one-tenth of one per cent. of such outstanding policies. This would provide a very reasonable minimum number of nominators in a case where there was considerable dissatisfaction among policyholders with the management of a company, and at the same time would forestall contests begun merely from mercenary motives or for vindictive purposes and with no possibilities of success. The policyholders are surely entitled to protection, not only against bad management, but also against the waste of contests begun in bad faith.

When, however, two or more tickets are duly placed in nomination, a list of all policyholders entitled to vote should be filed in the department, substantially as now provided by statute.

There is, then, one further recommendation with regard to industrial policies which I do not think is so relevant. I will read it if you like. But the contest in our company, shown by its annual report for 1911, did cost approximately \$40,000.

Mr. GESELL. That was the election where a single independent nominee sought to become a member of the board of directors?

Mr. BELL. Yes. Now the other communication I had reference to was a letter, if I may read it, addressed to the president of the New York Life Insurance Co., and found in our files when the Securities and Exchange Commission representatives were going through them, and shows the theory of the law where there is no contest. It states it so well that I thought I might read part of it.

Mr. GESELL. Would it be possible, Mr. Chairman, for the letter to be inserted into the record and for Mr. Bell simply to tell us in summation what the letter states?

The Vice CHAIRMAN. Whichever you can do quickest.

Mr. BELL. I can do it quickest by saying in the first place that he refers to the election machinery, how nominations may be made, and so on, and pointing out that the law provides that unless an independent ticket is put in the field, no one can be voted for except the people on the administration ticket. He then goes on:

DIRECTORS

Therefore, if the policyholders do not nominate any candidate for Directors, then there can be no candidates except those that the law requires the existing Directors to nominate, and these alone can be elected. It is undoubtedly the theory of the law that if the policyholders fail to nominate candidates for Directors, they are not dissatisfied with the existing management of their Company. It follows from the plain requirements of the law that when the policyholders fail at any given election to nominate an opposition ticket—the nomination of which the law has made simple and easy for them—the election of Directors becomes a mere formality.

At no one of the three elections referred to did the policyholders of your Company nominate any candidates for Directors. Therefore, there being no contest, the law does not contemplate that your Company incur the expense of mailing ballots to its policyholders or require it to take any other action for the purpose of bringing out the vote, for by the express requirements of the law itself, the election could have but one result.

Senator KING. Who signed that?

Mr. BELL. This is from W. T. Emmet, Superintendent of Insurance, to Darwin P. Kingsley, president of the New York Life Insurance Co., dated January 3, 1913.

Mr. GESELL. That in effect says that any efforts to get out the vote, whether or not as a noncontested election, are considered to be an excessive expense not warranted in the interest of the policyholder.

Mr. BELL. That is true; yes.

The Vice CHAIRMAN. We have testimony here, I believe, that one company has 29,000,000 policyholders. It cost—I always hesitate to quote figures—but 10 cents; three letters would be about \$2,900,000 to get this business out to them.

Senator KING. It would be 30 cents for three letters.

The Vice CHAIRMAN. That would be about \$7,000,000.

Mr. GESELL. I imagine, Mr. Chairman, the expense goes down as the volume increases, you will recall.

The VICE CHAIRMAN. Maybe they got a reduction on stamps.

Mr. GESELL. I was referring to the testimony of Mr. Tully wherein he stated that the expense ran at the Metropolitan something around \$10,000,¹ which would indicate that that 10-cents-a-letter cost does not continue as the volume increases. I have no further questions.

Mr. DAVIS. Referring to the New York statute and suggestion made in a letter which you read, and also a letter from the insurance commission, is it not a fact that a great deal of discretion is lodged in the insurance commission, or somebody else, to decide whether oppositions are formidable or whether they are in good faith, or otherwise advisable?

Mr. BELL. I did not understand what you said about "discretion," sir.

Mr. DAVIS. With respect to whether the names of the policyholders should be furnished or that notice should be sent out to the policyholders.

Mr. BELL. As to whether the names of the policyholders should be prepared in a list, discretion is vested in the superintendent of insurance on application of 25 policyholders, after hearing.

Mr. GESELL. It comes down to this, does it not, that if an application is made for a list of policyholders to the superintendent of insurance, he has some discretion in determining whether he thinks those policyholders are acting in good faith, with a desire really to participate in the management of the company, or simply engage in some kind of what might be called a strike suit.

Mr. BELL. Right.

Mr. GESELL. That discretion rests in the insurance commissioner with respect to the preparation of the policyholders' list by the company.

Mr. BELL. Yes.

Mr. GESELL. Once the superintendent asks the company to present the list then that becomes mandatory upon the company to prepare a list which is available to the opposition ticket, so that they can mail their ballots and proxies to the policyholders?

Mr. BELL. Right.

Mr. DAVIS. At the same time in the final analysis the discretion rests in the insurance commissioner to squelch initial uprising in the ranks of policyholders, and also it is placed in his discretion to be exercised after hearing?

Mr. BELL. Yes, sir.

Mr. DAVIS. And is it not a fact that unless there is an extraordinary situation such as occurred in 1906, that most movements start in a small way, and grow, and if they are not permitted to start, they will not be permitted to grow. That is true, is it not?

Mr. BELL. I do not know of any contest or attempted contest since then, but I simply do not know anything about it. I don't know whether any 25 have ever petitioned.

Mr. GESELL. We have an expression from the superintendent of insurance with respect to his policy in this matter, which we can present through the next witness. No further questions. The next witness is Dr. Donald Davenport.

The VICE CHAIRMAN. Have you been sworn?

Dr. DAVENPORT. I have.

¹ Supra, p. 1312.

TESTIMONY OF DR. DONALD DAVENPORT, SPECIAL ECONOMIC
CONSULTANT, INSURANCE STUDY, SECURITIES AND EXCHANGE
COMMISSION, WASHINGTON, D. C.—Resumed

ANALYSIS OF RECENT ELECTIONS IN MAJOR COMPANIES

Mr. GESELL. Am I correct in stating that the Securities and Exchange Commission has through various questionnaires and correspondence with mutual life insurance companies obtained information concerning the voting practices of those companies in the election of directors?

Dr. DAVENPORT. That is right, Mr. Gesell.

Mr. GESELL. Have you prepared a schedule showing with respect to the 12 largest mutual companies the number of policyholders, the possible votes, the votes actually cast per director, and the percentage ratio of votes cast to possible votes in elections held by those companies in 1935, 1936, 1937?

Dr. DAVENPORT. I have, Mr. Gesell.

Mr. GESELL. Is this the schedule?

Dr. DAVENPORT. It is.

Mr. GESELL. I wish to offer the schedule for the record.

The VICE CHAIRMAN. It may be admitted.

(The schedule referred to was marked "Exhibit No. 255" and is included in the appendix on p. 1552.)

Senator KING. Have you furnished the companies to whom you refer in this schedule a résumé of the results of this investigation?

Dr. DAVENPORT. The résumé is just being drawn up, Senator King.

Senator KING. So that if they want to have an opportunity to negative or supplement or explain, they would have the facts before them as you present them?

Dr. DAVENPORT. Senator King, it is based upon correspondence with each one of the officers of these 12 companies, an officer of each one of the 12 companies, I should say.

Senator KING. I am not objecting to this at all. The only point I had in mind was that the companies themselves, if they were not familiar with the schedule and the facts you are presenting, ought to have an opportunity to be advised just what your chart shows.

Mr. GESELL. This schedule covers the 12 largest mutual life insurance companies, does it not?

Dr. DAVENPORT. That is right, Mr. Gesell. The assets of these 12 largest mutual companies amount to 72 percent of the total assets of all legal reserve life insurance companies as of 1937. They aggregated over \$18,000,000,000 and we estimate that they amount to about 78 percent of the assets of all mutual life insurance companies, so we feel justified in considering that the practices that are developed by these 12 companies are those which are predominant in the life insurance field.

Mr. GESELL. What is the highest percentage of votes out of possible votes received by any company during these 3 years, and what was the company?

Dr. DAVENPORT. If we take the election in 1937, the largest proportional vote was in the Prudential Insurance Co. of America.

Mr. GESELL. That company is not strictly a mutual company, is it?

Dr. DAVENPORT. The Prudential Co. technically is still a stock company. However, of \$2,000,000 of capital stock, \$1,970,762 has been purchased for the policyholders under the mutualization plan. Moreover, the dividends on stock are limited to 10 percent in any one year. The company, therefore, is to all intents and purposes a mutual company, and is so considered in this study.

Mr. GESELL. You say that in 1937, 2.51 percent of the possible votes were cast in the election?

Dr. DAVENPORT. That is right.

Mr. GESELL. That is the largest of all of the companies in that year?

Dr. DAVENPORT. That is the largest proportional vote of any company in any one of these 3 years. In two other companies only were the proportions greater than 1 percent. The Metropolitan Life Insurance Co. had 1.76 percent, and the Provident Mutual Life Insurance Co. of Philadelphia had 1.27 percent. In the other companies the proportions were less than 0.8 of 1 percent.

Mr. GESELL. You mean to say that except for those 3 companies, in all of these 12 largest companies the percentages of votes cast was always less than 0.8 of 1 percent?

Dr. DAVENPORT. That is right. In 4 companies, the Northwestern Mutual Life Insurance Co., the Mutual Life Insurance Co. of New York, the Equitable Life Assurance Society of the United States, and the New York Life Insurance Co., the proportion of actual votes to possible votes did not exceed 0.05 of 1 percent; that is, five-hundredths of 1 percent. In fact, in these 4 companies the total number of votes cast in 1937 was only 1,101. As the total number of possible votes in these 4 companies was 2,562,000, it appears that their directors were elected by the equivalent of only 1 out of every 2,340 possible votes.

The results of the elections in 1936 and in 1935 tell substantially the same story. Directors of mutual life-insurance companies are elected by a very small minority of the policyholders.

Mr. GESELL. Well now, have you made, in connection with this, from the questionnaire replies received by the Commission, some analysis of the types of notice given by the companies to the policyholders with respect to these elections?

Dr. DAVENPORT. We have, Mr. Gesell.

Mr. GESELL. May I ask whether it is not a fact that the two companies having the largest percentage of votes, that is to say the Prudential and the Metropolitan, are the two companies which make use of their agency force in soliciting votes from the policyholders?

Dr. DAVENPORT. That is right. The Metropolitan Life Insurance Co. and the Prudential Life Insurance Co., which are the 2 that had the largest proportional vote, are the only 2 of these 12 that use their agency force in soliciting votes.

Mr. GESELL. I notice that the third in line is the Provident Mutual Life Insurance Co., of Philadelphia. Will you tell us if there is any reason appearing from the questionnaires as to why there is a large amount of voting relatively in that company?

Dr. DAVENPORT. There is a special factor in the Provident Mutual Life Insurance Co. This company is the only company that sends out special notices by mail to policyholders. This company, however, sends out special notices of forthcoming meetings for the purpose of

electing directors to a group of 10,000 different policyholders each year.

Mr. GESELL. Do you mean they choose 10,000 different policyholders and send a special notice of the election to them?

Dr. DAVENPORT. That's right, Mr. Gesell.

The VICE CHAIRMAN. How are they selected—at random?

Dr. DAVENPORT. We have no knowledge, except that it is a different list of 10,000 each year. The effectiveness of a special notice sent by mail shows up in the fact that they are the third largest with respect to proportional votes of these 12.

The VICE CHAIRMAN. Do they solicit votes for the ticket of the organization?

Dr. DAVENPORT. We have no knowledge of that. The questionnaire did not ask that specific question. We merely asked how they acquainted policyholders with their rights. This was the only company that sent special notices by mail of these 12. We learned a moment ago the Acacia Mutual does this with all of their policyholders.

Mr. GESELL. We are coming in a moment to a detailed consideration of the types of notices in these companies.

Is it safe to say, with respect to the other companies comprising these 12 largest mutual companies, that, generally speaking, the notice is given through the premium receipt, the newspaper, and on the policy?

Dr. DAVENPORT. That is the prevailing practice.

Mr. GESELL. Have you a schedule showing the method of giving notice in each of these companies?¹

Dr. DAVENPORT. We have, Mr. Gesell.

Mr. GESELL. May I have it, please?

Can you tell us briefly the types of notice given in the other nine companies?

Dr. DAVENPORT. In the New York Life Insurance Co., for example, the policyholders are notified of their right to vote for directors by advertisements inserted in certain newspapers published in the city of New York and by notice printed on the premium receipt. This is the prevailing practice in each one of the other nine companies, with the exception that in some cases they will, in addition to sending the notice on the premium receipt, also send the notice on the premium bill, or indicate that they have published on the policy jacket or on the policy itself a statement of when the annual meetings are held.

The VICE CHAIRMAN. Do you find anything from your study to indicate any effective test of this newspaper publicity, or do you get into that?

Dr. DAVENPORT. We have received from the individual companies copies of the ads that they insert from time to time announcing the annual meetings. Invariably they are small advertisements published in the section of the financial part of the newspaper that contains company notices.

The VICE CHAIRMAN. Let me ask you this question to get right down to the heart of this thing, if you can. Did you find from your study that the right of the policyholders to participate is any more than a sort of gun behind the door, as the expression is, or the right, the power, and the opportunity of these people to participate against the management that they may be opposed to?

¹ See "Exhibit No. 256", appendix p. 1553, at p. 1405.

Dr. DAVENPORT. I think that is a very fair statement, Mr. Chairman. That is about all it is.

The VICE CHAIRMAN. That is about all it amounts to, no matter where you take it.

Senator KING. Would you deduce from the fact that the policyholders have so seldom even tendered a candidate that there was satisfaction or dissatisfaction with the management of the company?

Dr. DAVENPORT. Senator King, since the hearings have started we have received a great many letters from individuals who have indicated great surprise that they were eligible to give a vote, that they had any right to participate whatever in the affairs of these mutual companies.

The VICE CHAIRMAN. I wanted to ask one other question. Is there any difference in the relationship of the policyholder to his company and in his opportunity to be influential in its management and the stockholders in a railroad company or any other corporation that has a distributed ownership, and if so, what is it?

Dr. DAVENPORT. I should say that in the case of the stockholders of large corporations the stockholders have a larger stake in those companies than is true in the case of most of the policyholders of the mutual life-insurance companies. We have looked into the matter of the behavior of stockholders in industrial and public-utility companies at the time of election of their directors, and I have some figures that I can give you which are comparable to those that we inserted in the record a moment ago with respect to the participation of the policyholders in the life-insurance companies in the election of directors.¹

The VICE CHAIRMAN. I think you might at least put it in the record.¹

Mr. GESELL. We are coming to it in a moment when we get to the question of notices.

Senator KING. Has your experience demonstrated that the policyholders take but very little interest in the company, believing that their investment is sound and that their rights are being fully protected by the law and by the corporation itself?

Dr. DAVENPORT. Senator King, the reason why they don't participate is something that I cannot divine. We do have the factual information that they do not participate, and it is a fact that the ways in which they are notified of the forthcoming meetings for the purpose of election are ways which are not designed forcefully to call their attention to their rights.

Mr. PATTERSON. I would like to ask the witness this question. I may have missed this, but it is not quite clear to me how or why these 10,000 policyholders are selected. At that rate, a policyholder would only have an opportunity once in 19 years to vote, as there are 189,000 policyholders.

Dr. DAVENPORT. That's right. I should imagine it was because of the expense involved. The company wants to make a gesture to its policyholders each year, and does send out these 10,000 specific notices that are designed forcefully to call to their attention their rights to vote.

Mr. GESELL. Am I correct in saying that this is a special form of notice in the case of the Provident Mutual sent to these 10,000 policyholders? It is not, however, the only form of notice used by the company?

¹ Subsequently entered as "Exhibit No. 257", see appendix, p. 1555.

Dr. DAVENPORT. That is right.

Mr. GESELL. They also advertise in certain newspapers in Philadelphia and have a notice on the policy jacket and on the premium receipt, so that other policyholders in a less efficient way are notified of their particular right to vote?

Dr. DAVENPORT. They are not required by law to send notices by mail to any of these policyholders, so they are going beyond the minimum requirements of the law, and it is the only 1 of the 12 companies that we found that did go that far.

Mr. HINRICHS. Dr. Davenport, I notice the Mutual Benefit Life down here with an unknown possible number of votes. Is the charter of that company so set up that the possible number of votes is greater than the number of policyholders, or would it be less?

Dr. DAVENPORT. We asked the companies to give us the figures of the possible number of votes or the possible number of policyholders. This was the only company which didn't furnish us with an estimate of the possible number of votes that could be cast.

Mr. HINRICHS. But do you know whether the number could possibly be greater than the number of policyholders? It is in some companies and in others it is smaller.

Dr. DAVENPORT. I should assume that the law with respect to the Prudential would possibly be the same as that affecting the Mutual Benefit Life Insurance Co. of Newark and consequently the possible number of votes would be somewhat smaller than the possible number of policyholders.

Mr. HINRICHS. You, therefore, cannot figure the correct percentage in the ratio of votes, but the percentage in any event would be somewhat greater than 2 percent and possibly as great as 2½ percent?

Dr. DAVENPORT. That is about right.

Mr. HINRICHS. So that Mutual does not fall into the category of the nine companies that were eight-tenths of 1 percent or less?

Dr. DAVENPORT. That is a perfectly fair statement; yes.

Mr. GESELL. I have the bylaws of the Mutual Benefit Insurance Co. before me and section 3 states that in the annual election for directors each member of the company shall be entitled to one vote when the insurance is for a sum not exceeding \$2,000; over \$2,000 up to \$5,000, two votes; over \$5,000, three votes. That may assist us in the problem.

Mr. Davenport, have you prepared a schedule showing the various types of notices sent by the 60 mutual companies replying to our questionnaire to the policyholders with respect to elections?

Dr. DAVENPORT. We have; Mr. Gesell.

Mr. GESELL. Have you a copy of that schedule?

Dr. DAVENPORT. I think you have a copy there.

Mr. GESELL. Will you state what that schedule shows on it?

Dr. DAVENPORT. In summarizing the replies to the questions we sent to the various companies we have drawn into one category all of the companies that employ special notices sent by mail to announce meetings for the forthcoming election of directors. Into another category, the companies that did not employ the method of sending a special notice by mail but which resorted to the method of inserting a paragraph on the premium receipt describing the time and place for the meeting for the election of directors. This was done in many instances in combination with advertisements and a statement on

the policy itself. Of the 80 mutual life insurance companies that replied to our questionnaire 28 or 35 percent of the number send special notices by mail just as the Acacia Mutual does.

Twenty-one companies use the method of the paragraph on the premium receipt, and on the policy and by publication, in various combinations. The remaining 31 employ methods that are not as effective as these, unless we should include the use of agents in the solicitation of votes.

Mr. GESELL. Is it correct to say that 19 of these 80 companies place a notice on the policy or policy jacket alone and give no other form of notice to the policyholder?

Dr. DAVENPORT. The table shows that there are 19 such companies that use that, and only that, as a method of informing policyholders of their right.

Mr. GESELL. I would like to offer this schedule which shows the various forms of announcement of meeting for the election of directors, and the schedule showing the method of giving notice used by the 12 largest mutual companies for the record.

The VICE CHAIRMAN. It may be admitted.

(The schedules referred to were marked "Exhibit No. 256" and are included in the appendix on p. 1553.)

Senator KING. Could you find any of these 80 companies failed to carry out the minimum provisions of the law with respect to giving notice of meetings?

Dr. DAVENPORT. In many of the laws there is no specification as to how they shall notify their policyholders, but there was no indication that we found that companies did not comply with the minimum requirement.

Mr. GESELL. The question of contested elections has come up. Am I correct in stating that in response to a letter addressed by this Commission to Hon. Louis H. Pink, superintendent of insurance in the State of New York, he gave us certain information concerning the number of contested elections held in New York State since 1906?

Dr. DAVENPORT. That is right, Mr. Gesell.

Mr. GESELL. Will you read that portion of his letter for the record, please?

Dr. DAVENPORT. This is a letter dated January 10, 1939, from which I quote as follows:

* * * Since the passage of section 94 of the insurance law of 1906, there have been the following contested elections of directors:

New York Life, December 18, 1906;

Mutual Life, December 18, 1906;

Mutual Life, June 1911 (only 1 nominee named on independent ticket);

Mutual Life, June 2, 1913 (only 1 nominee named on independent ticket);

Buffalo Mutual Life, December 8, 1932.

The administration ticket was successful in each of the above instances, with the exception of the Buffalo Mutual, where the independent nominees won. It might be mentioned that the Buffalo Mutual originally had been an assessment corporation, the mortality had been high, and extra rates had been required, resulting in certain dissatisfaction with the existing management.

It is possible that there have been contested elections other than the above. A complete record is difficult to determine after the lapse of so many years. This fact is at least true, that there have been no contested elections during the past 15 years other than the Buffalo Mutual.

Mr. GESELL. Just in passing, can you tell us what the size of the Buffalo Mutual Life Insurance Co. referred to was? How big a company was that?

Dr. DAVENPORT. The Buffalo Mutual Life Insurance Co. was a small company. Best's in 1938 reported as follows, that effective November 20, 1935, the Union Mutual Life Insurance Co. of Portland, Maine, reinsured the business of this company without lien. The Buffalo Mutual's insurance in force that was reinsured by the Union amounted to \$16,540,000.

Senator KING. That was an assessment company that had some trouble, as I understood you.

Dr. DAVENPORT. It started out as an assessment company.

Mr. GESELL. Did this letter from the office of the superintendent of insurance give any information which would assist Judge Davis in the question he asked the previous witness? You will recall the question arose as to how the superintendent of insurance would exercise his discretion where an effort was made by a group of policyholders to obtain a policyholders' list.

Dr. DAVENPORT. I quote from this letter:

The original section 94 required the company to file with this department two lists of all its policyholders irrespective of whether or not the independent ticket was nominated. This requirement was changed in 1915 so that the filing of such lists would be omitted except where there was a request by at least 25 policyholders. So far as the writer knows, there has never been any denial by the superintendent of the preparation of such a list. The company, of course, would have no right of decision in the matter. The superintendent certainly would not make any arbitrary refusal where a request of at least 25 policyholders appeared legitimate and where there seemed any likelihood of an independent ticket being named.

Mr. GESELL. Have you prepared a schedule showing the relationship between methods employed by mutual life insurance companies in notifying policyholders and by proprietary life insurance companies in notifying stockholders of meetings to be held for the election of directors?

Dr. DAVENPORT. We have such a list, Mr. Gesell.

Mr. GESELL. Is this the schedule?

Dr. DAVENPORT. That is the schedule, sir.

Mr. GESELL. I wish to offer this for the record.

The VICE CHAIRMAN. It may be received.

(The schedule referred to was marked "Exhibit No. 257" and is included in the appendix on p. 1555.)

Mr. GESELL. Have you also prepared and collected certain statements which have been made from time to time by various representative people concerning the mutuality problem?

Dr. DAVENPORT. Mutuality is a subject that has concerned writers on insurance since the beginning of insurance. For example, Mr. Elizur Wright in his *Politics and Mysteries of Life Insurance*, published in 1873, stated as follows [reading from exhibit No. 258]:

We have in fact the anomaly of a company, having an annual revenue of \$15,000,000, with about \$60,000,000 in hand, which though constitutionally "mutual" and theoretically perfectly democratic, is, *de facto*, autocratic, the chief officer holding proxies enough to secure his own reelection, in spite of any opposition short of the miraculous. An autocracy may be the best government in the world or it may not be, according to the character of the autocrat. The prejudices of our country are certainly not in its favor.

Mr. GESELL. Have you also statements from the Armstrong Committee report, from the report of the Commission to Recodify the Insurance Laws in the Commonwealth of Massachusetts, from the Pujo committee, which was a committee investigating this and other problems in 1913, from the New York State insurance reports in 1927

by Mr. James A. Beha, then superintendent of insurance, and from a recent publication by Edward Berman entitled "Life Insurance, a Critical Examination."

Dr. DAVENPORT. We have prepared all these comments which indicate a continuity of interest in the subject of mutuality in life insurance companies.

Mr. GESELL. I wish to offer these statements for the record.

The VICE CHAIRMAN. They may be received.

(The statements referred to were marked "Exhibit No. 258" and are included in the appendix on p. 1555.)

Senator KING. Who is the last man?

Mr. GESELL. My understanding is that Mr. Berman is now deceased. He was a professor of economics in the University of Chicago, is that correct?

Dr. DAVENPORT. At the time he wrote this I believe he was an employee of the United States Department of Labor.

Mr. HENDERSON. The University of Illinois, not Chicago.

The VICE CHAIRMAN. Whether the company is a mutual concern or whether it is owned by stockholders, it, after all, has to be supported by the money paid in by the people who get insurance, doesn't it?

Dr. DAVENPORT. That is right.

The VICE CHAIRMAN. It is a difficult situation.

Dr. DAVENPORT. The entire amount of capital stock of the stock insurance companies is a matter of only \$150,000,000.

The VICE CHAIRMAN. That is a very interesting statement. The people who pay the money have to support each of them.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. May I ask the members of the committee to meet for executive session. We are adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 12:15 noon, an adjournment was taken until Wednesday, February 15, 1939, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

WEDNESDAY, FEBRUARY 15, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 11 a. m., pursuant to adjournment on Tuesday, February 14, 1939, in the Caucus Room, Senate Office Building, Representative Hatton W. Sumners presiding.

Present: Senator King; Representatives Sumners (vice chairman) and Reece; Messrs. Henderson, O'Connell, Douglas, Patterson, Peoples, Berge, Frank, Davis, and Hinrichs.

Present also: Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

The VICE CHAIRMAN. The committee will please be in order.

I am directed by the committee to make the following statement with regard to the matter which was presented after adjournment of these proceedings yesterday.

Since the beginning of this phase of the committee's proceedings which deals with insurance companies the committee has received many requests from individuals, both within and outside of the insurance business, desiring to be heard. The committee being fully cognizant of the public character of these proceedings and being desirous of obtaining an accurate portrayal of the character of the life insurance business, is eager that the facts should receive a fair presentation, which may add to the store of information which it is seeking to accumulate.

However, it must be recognized that there must always be a point beyond which it is not necessary to go and also beyond which it is utterly impractical to proceed. At its conclusion, the record of these proceedings must, in the last analysis, be reasonable in proportion and intelligent in content. Without that our effort would be futile and almost assuredly fruitless. The committee has heard evidence indicating that some insurance agents of the Metropolitan Life Insurance Co. have made a practice of executing false ballots. It has also heard counsel for the company state that the action of these agents was entirely without the knowledge of the officials of the company and these officials were satisfied that the great body of their agents had not engaged in the practice, and that these officials repudiated these actions.

The particular issue has been given a distorted emphasis and significance. The Securities and Exchange Commission has told the committee that the evidence as to some false ballots was presented merely to illuminate the character of the election machinery. We are advised by the Securities and Exchange Commission that the evidence as to false ballots was not introduced to show that the practice was

widespread, but simply and solely for the purpose of showing some aspects of the procedure of elections.

The committee quickly recognized that none of these ballots signed by the agents affected the outcome of the elections. It was for the foregoing reasons that the committee ruled on February 10, 1939, that it did not care to hear additional testimony as to ballots in connection with the election of the Metropolitan Life Insurance Co.

The Committee, however, takes cognizance of the fact that present in this hearing room yesterday was a delegation of 100 insurance agents of that company, and that a representative of that group asked to be heard on behalf of 1,800 agents and 89 districts of the company in New York City. The committee has asked me to state that it assumes these agents are prepared to testify under oath that they have not engaged in any of the practices mentioned in the testimony regarding false ballots, and that they have no knowledge of the existence of any such practice. The committee is of the opinion, however, that for the reasons heretofore stated, further evidence of this character would constitute an unnecessary burden upon the record of these proceedings, and therefore it will not be received.

Mr. ROTH. Mr. Chairman, just to elaborate on this, am I to understand now that this statement is to be so received and recognized, and the fact that we agents may not refute the testimony that has already been entered in the record?

The VICE CHAIRMAN. The committee has ruled that it is not to receive further testimony on this point.

Mr. ROTH. Well, is there any statement that may be made in behalf of these 1,800 agents and of other agents all over the United States?

The VICE CHAIRMAN. The committee has ruled it is not now to receive any additional testimony on this point. I have stated very definitely—

Mr. ROTH. The statement may be made as to the fact that this testimony was not offered, not only by—

The VICE CHAIRMAN. I am afraid the committee cannot hear you further. I am of course acting under the instruction of the committee. I have made a statement with reference to the conclusion of the committee with reference to the testimony, which you have tendered or which you proposed to tender.

Senator KING. The gentleman ought to remember that this statement which has just been read by Judge Sumners states that the committee takes cognizance of the fact that you are here and a hundred agents are here, and that it is assumed that they would testify as indicated in the statement.

Mr. ROTH. Yes.

Senator KING. Not only the hundred agents that are here but any one of the body of 1,800 agents and of thousands of agents all over the country would be so willing to testify.

The VICE CHAIRMAN. We have a pretty comprehensive statement, we think, to the effect that the committee, as Senator King says, will take cognizance of the fact that you gentlemen here are prepared to testify that you have not engaged in this practice, and are not familiar with the practice, but the committee has decided, as we have announced, and I am afraid I cannot continue the colloquy.

Mr. ROTH. Just one point, Mr. Chairman, that this committee, then, has not received testimony as being binding upon all other agents. It was just binding upon those agents who gave that testimony.

The VICE CHAIRMAN. The report speaks for itself, and now we have to ask you——

Mr. ROTH. Allow me to thank the Honorable Chairman of the committee and the entire committee. I just want to make one statement in reference——

The VICE CHAIRMAN. We cannot——

Mr. ROTH. Just in reference to yesterday's demonstration.

The VICE CHAIRMAN. There is no difficulty. Now, I want to be just as kind to you as I can be, but you must sit down.

Mr. ROTH. I thank you.

The VICE CHAIRMAN. We are very much obliged to you.

Mr. GESELL. The next witness this morning is Mr. Follansbee.

Mr. IVY B. ESTEP (president, Association of Industrial Life Agents, Philadelphia). I have been sent as another representative in regard to that. Am I to take back the word or statement given to Mr. Roth is applicable to the agents throughout the country?

The VICE CHAIRMAN. Yes. I am very much obliged to you gentlemen and consider that you have been very patient and we have done the best we could with you. We are very much obliged to you.

Mr. Follansbee, will you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FOLLANSBEE. I do.

Mr. GESELL. Before proceeding with the examination of Mr. Follansbee this morning we are to consider with this witness and other witnesses to follow certain transactions entitled "Officers and directors not to be pecuniarily interested in transactions," between directors of mutual companies and the companies on which they are a director, and I thought that the record should show at the outset the provisions of the New York law, which governs such relationships, and with the permission of the committee I would like to read that section of the law into the record. It is section 36, and it states as follows [reading "Exhibit No. 259"]:

No director or officer of an insurance corporation doing business in this State shall receive any money or valuable thing for negotiating, procuring, recommending, or aiding in any purchase by or sale to such corporation of any property or any loan from such corporation, nor be pecuniarily interested either as principal, coprincipal, agent, or beneficiary in any such purchase, sale, or loan; nor shall the financial obligation of any such director or officer be guaranteed by such corporation in any capacity. And any such guarantee shall be void, provided that nothing herein contained shall prevent a life-insurance corporation from making a loan upon a policy held therein by the borrower not in excess of the net value thereof.

No insurance corporation doing business in this State shall make any loan to any of its officers, directors, or trustees, nor shall such officers, directors, or trustees accept any such loan. Any corporation or person violating any provisions of this section shall be guilty of a misdemeanor.

I have copies of that section.

The VICE CHAIRMAN. Would you put it in the record?

Mr. GESELL. I would like to offer that for the record.

(The section of insurance law referred to was marked "Exhibit No. 259" and appears in full on this page.)

**TESTIMONY OF MITCHELL D. FOLLANSBEE, DIRECTOR,
METROPOLITAN LIFE INSURANCE CO., CHICAGO, ILL.**

**TRANSACTIONS OF MITCHELL D. FOLLANSBEE, DIRECTOR,
METROPOLITAN LIFE**

Mr. GESELL. Mr. Follansbee, you are a director of the Metropolitan Life Insurance Co., are you not?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. How long have you been a director?

Mr. FOLLANSBEE. Twenty-four years next April.

Mr. GESELL. You were elected sometime in 1915?

Mr. FOLLANSBEE. I was, at the time the company became a mutual one.

Mr. GESELL. Will you state for the committee the circumstances under which you became a member of the board of directors?

Mr. FOLLANSBEE. One of the stockholders of the company who with his sister controlled 51 percent of the outstanding stock when the Metropolitan was a stock company, was the moving man to mutualize the company, and I had known him a long time. Beginning with 1880 my father was practicing law in Chicago and had been the attorney for the company and I had been the attorney up to 1899 in the firm of which we were both members, and so he knew me and I knew all about the company then and I was well acquainted with many officers of the company. He asked me to have leave to propose my name to go on the board. He wanted somebody in Chicago.

Mr. GESELL. You were one of a group of directors who came on at this time, were you not?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. What is your business, Mr. Follansbee?

Mr. FOLLANSBEE. Lawyer.

Mr. GESELL. With what firm are you associated?

Mr. FOLLANSBEE. Now with Follansbee, Shorey & Schupp.

Mr. GESELL. You have been in the practice of law in Chicago during the entire time that you were director of the company?

Mr. FOLLANSBEE. And before.

Mr. GESELL. Do you recall an occasion in January 1932, when Mr. Samuel Fordyce was nominated for membership on the board of directors of the Metropolitan?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. He also was a lawyer, was he not?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. Prior to that time he had represented the company as a lawyer in St. Louis?

Mr. FOLLANSBEE. He had.

Mr. GESELL. At the time of his nomination did any question come up with respect to whether or not he could serve on the board of directors as an attorney and continue to receive fees from the company?

Mr. FOLLANSBEE. I think the company had had an old rule of convenience that no director of the company could go on the board—could do any law business for the board. That was because a very eminent gentleman was pushed off of the board to make room for me and my coadventurers, and that was an obsolete rule—it became an obsolete rule.

Mr. GESELL. Let me see if I understand. You say there was a gentleman who had been taken off the board at the time you came on.

Mr. FOLLANSBEE. He was an attorney for the company in New York.

Mr. GESELL. What was his name?

Mr. FOLLANSBEE. Mr. Butcher.

Mr. GESELL. Mr. Butcher?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. Had he been representing the company while he was a director?

Mr. FOLLANSBEE. I think so when it was a stock company.

Mr. GESELL. And was it understood that when he went off the board and you came on, that no director of the Metropolitan who was also an attorney would represent the company?

Mr. FOLLANSBEE. Well, there was talk to that effect.

Mr. GESELL. During the period from 1915-32, at the time of the nomination of Mr. Fordyce, did you ever represent the company?

Mr. FOLLANSBEE. No; not at all.

Mr. GESELL. This agreement was in effect as far as you were concerned?

Mr. FOLLANSBEE. Well, it was and it was not.

Mr. GESELL. What do you mean by that?

Mr. FOLLANSBEE. They said it to save Mr. Butcher's feelings, and that was no principle. I am very familiar with the section you introduced of the statute, and I don't think that it applies at all.

Mr. GESELL. Well, I want to make very clear that I was not suggesting that that statute applies to your situation in any way, sir. I was putting it in so that the committee would have clearly in mind what the statutory limitations are with respect to these matters.

But now I am interested in knowing whether this agreement or understanding was a definite policy of the board of directors or not.

Mr. FOLLANSBEE. No; I don't think so.

Mr. GESELL. Was that policy mentioned when Mr. Fordyce was nominated in 1932?

Mr. FOLLANSBEE. It was not.

Mr. GESELL. No question came up as to whether or not he could continue to represent the company?

Mr. FOLLANSBEE. No; certainly not.

Mr. GESELL. Well now, shortly after that you became associated as counsel with the Metropolitan, did you not?

Mr. FOLLANSBEE. In Chicago, and our firm became one of the three law firms that represented the Metropolitan in Chicago.

Mr. GESELL. You had asked to receive business for your firm prior to 1932, had you not?

Mr. FOLLANSBEE. I think I had, when I got to know them better.

Mr. GESELL. You had not received any business?

Mr. FOLLANSBEE. No.

Mr. GESELL. On May 7, 1932, did you not write Mr. Leroy A. Lincoln, the then vice president and general counsel of the company, this letter [reading from "Exhibit No. 260"]:

When I came on the board a great many years ago, when the company was first mutualized, I, or someone else elected at the same time, took the place of Mr. Butcher, and Mr. Butcher was told in those days that the policy of the company forbade any director to represent, as counsel, the company in any way.

That policy was changed, as I understand, and the evidence of the change was that my friend, Sam Fordyce, retained his legal representation for the company after he became a director.

The company is apt to have a lot of important real-estate foreclosures in this vicinity, and I write to you as general counsel asking you to give our firm, which has always had both knowledge and facility in such matters, consideration.

My father in 1887 brought the business of the Metropolitan to his firm of Hoyne, Follansbee & O'Connor. On the dissolution of that firm in 1899, Mr. O'Connor, who has been dead almost 9 years, came on to New York and persuaded one of your predecessors in office that he was the man who had attended to the details of your cases. Now Mr. Hoyne is almost 89 years of age and the work is done by his partners. I do not want to interfere with his representation but I think the above historical statement would tend to make you feel that my request that I be counted in is very reasonable.

Do you recall writing that letter?

MR. FOLLANSBEE. I do.

MR. GESELL. I wish to offer this letter for the record.

(The letter referred to was marked "Exhibit No. 260" and is included in the appendix on p. 1558.)

Senator KING. May I inquire, Mr. Chairman, if the purpose of this testimony is to show that this witness was a director and at the same time was acting as attorney? It seems to me we are going a long way around to get at a very small issue.

MR. GESELL. I think the circumstances under which Mr. Follansbee's firm received the business, the nature of the business done by the firm, are all important matters to come before the committee.

Senator KING. I am not commenting on that. Is that the only point, to show that his firm, while he was one of the directors, received business from the company?

MR. GESELL. That is correct. He is just one of several witnesses to be called for this and other questions with respect to this matter.

Senator KING. Why don't you ask him if his firm, notwithstanding he was a director, received business?

MR. GESELL. I prefer to develop it in another way.

Senator KING. It seems to me it is an unnecessary consumption of time.

MR. GESELL. As a result of that letter, Mr. Follansbee, did your firm receive business?

MR. FOLLANSBEE. It did.

MR. GESELL. And it has been receiving business from the company ever since.

MR. FOLLANSBEE. For the last 6 or 7 years.

MR. GESELL. Am I correct in stating that during that period your firm represented the Metropolitan in 1,382 foreclosures for total fees amounting to \$336,920; in six loan matters for fees amounting to \$2,025; in six sales matters for fees amounting to \$1,250; and in seven miscellaneous cases for additional fees amounting to \$18,885, making a grand total of \$359,080 in business received since the writing of that letter?

MR. FOLLANSBEE. I should say, about \$25,000 of that amount was paid by the owners of equities, and the other part of it was paid by the Metropolitan.

MR. GESELL. All but about \$25,000 of this \$359,000 odd was paid to your firm by the Metropolitan? Is that correct?

MR. FOLLANSBEE. Yes; and I am prepared to defend the reasonableness of my charges or of our charges, now or at any time.

Mr. GESELL. I am quite willing to state for the record that there is no effort on my part to show that the fees were not earned, Mr. Follansbee.

Now you are in regular attendance at the meetings of the board of directors of the Metropolitan, are you not?

Mr. FOLLANSBEE. In very regular attendance.

Mr. GESELL. You have one of the best attendance records of anyone on the board, have you not?

Mr. FOLLANSBEE. I know all of the people who are officers of the Metropolitan and I have a sentimental interest in it. I have attended all the meetings that I could attend.

Senator KING. Are you the only representative on the board from Chicago?

Mr. FOLLANSBEE. Yes; and have always been.

Mr. GESELL. Now, Mr. Follansbee, at these meetings of the board of directors was the board called upon to consider whether or not it would approve these fees to your firm?

Mr. FOLLANSBEE. Under the laws of the State of New York or the regulations of the insurance department, all firms or officers or probate firms or any others who are going to receive upwards of \$5,000 in any calendar year must be reported to the board, and they knew it from the start. These days, if we send in \$5,000 worth of bills, they are especially approved by the board—every \$5,000 at a time.

Mr. GESELL. I have before me the minutes of the regular monthly meeting of the board of directors of the Metropolitan held at the home office of the company on January 26, 1937. These minutes record you as being one of the directors present, and I notice that on that occasion, on motion the board authorized payment of bills for legal services approved by the officers which in the aggregate exceeded \$5,000 for the year 1937, and included among these fees was a fee to your firm.

Mr. FOLLANSBEE. Yes.

Mr. GESELL. Did you participate in those discussions and vote in favor of the fees to your firm?

Mr. FOLLANSBEE. I was always very careful not to. I never voted for any fees of my own. Remember, I am a lawyer and I have some experience in teaching legal ethics.

Mr. GESELL. Well now, I will show you the copy of the minutes and ask you whether they record your withdrawal from these discussions or the fact that you did not vote.

Mr. FOLLANSBEE. We never withdraw, but I never voted on any question of my own fees, I am sure.

Mr. GESELL. The minutes do not record that you did not vote or that you withdrew from the room.

Mr. FOLLANSBEE. Well, the Metropolitan has a very long agenda and those minutes are true minutes, but they don't record the fact that I was silent or did a thing like withdrawing from the room.

Mr. GESELL. I was just wondering, Mr. Follansbee, whether your very presence in the board room when these fees were approved did not put your colleagues in a very embarrassing position, if they did not think the fees were justified.

Mr. FOLLANSBEE. I don't think it did. They all know that we did work for not more than our two other firms would charge, and

they had a certain faith in me from a long and intimate acquaintance so that they couldn't have thought any such thing.

Mr. GESELL. Now may I ask you this: Did this increase of business for your firm, over 1,000 foreclosure actions, oblige you to increase the personnel of the staff of your firm in any way?

Mr. FOLLANSBEE. It did. We took on two young men and four young women, and more space.

Mr. GESELL. Did you attend to this business yourself?

Mr. FOLLANSBEE. I did to this extent. The company had \$200,000,000 worth of mortgages in Chicago when the disaster came along and I was told to be very lenient, as far as I could, and I talked to every equity holder about his obligation, and many times persuaded him to make up the delinquencies or I got a delay of a few months for him, and I am responsible for the contact of all those cases. Many times we did not charge anything; in many instances we charged him a very minor fee.

Mr. GESELL. You are a partner of the firm, are you not?

Mr. FOLLANSBEE. Yes.

Mr. GESELL. And have an interest in its profits?

Mr. FOLLANSBEE. Yes, if any.

Mr. GESELL. Can you tell me, Mr. Follansbee, whether your business exceeded the business which was given by the Metropolitan to the firm which had been regularly handling it prior to your letter in 1932?

Mr. FOLLANSBEE. I don't know.

Mr. GESELL. Do you know whether it was in excess or below?

Mr. FOLLANSBEE. I don't really know. All foreclosures are a matter of record in our daily law bulletin in Chicago, and I think we ran about even.

Mr. GESELL. Do you not know that your firm received more fees than Hoyne, O'Connor & Rubicam during this period?

Mr. FOLLANSBEE. I don't know that.

Mr. GESELL. I have no further questions of this witness.

Senator KING. That is all so far as I am concerned.

Mr. FOLLANSBEE. I practiced law as attorney for the Metropolitan until 1899, and I did not come on the board until 1915.

The VICE CHAIRMAN. Thank you very much, Mr. Follansbee.

Mr. FOLLANSBEE. I shall be very happy to defend my charges.

Mr. GESELL. The next witness is Mr. Thomas A. Buckner.

The VICE CHAIRMAN. Mr. Buckner, have you been sworn?

Mr. BUCKNER. No, sir.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BUCKNER. I do.

**TESTIMONY OF THOMAS A. BUCKNER, CHAIRMAN OF THE BOARD,
NEW YORK LIFE INSURANCE CO., NEW YORK, N. Y.**

**GROWTH OF NEW YORK LIFE—SELECTION AND ATTENDANCE OF
DIRECTORS**

Mr. GESELL. What is your full name, please?

Mr. BUCKNER. Thomas A. Buckner.

Mr. GESELL. You are chairman of the board of the New York Life Insurance Co., are you not?

Mr. BUCKNER. I am.

Mr. GESELL. How many years have you been associated with that company, Mr. Buckner?

Mr. BUCKNER. Fifty-nine years this coming April.

Mr. GESELL. How long have you been chairman of the board?

Mr. BUCKNER. About 2 years, a little over.

(Senator King assumed the Chair.)

Mr. GESELL. Prior to that time, you were president of the company?

Mr. BUCKNER. President, elected in 1931.

Mr. GESELL. Will you give the committee some idea of the size and growth of your company and the type of insurance and business in which it is engaged?

Mr. BUCKNER. We are engaged exclusively, of course, in the life insurance business, and we do only one class of life insurance, the ordinary, what is known as the ordinary insurance. I assume that I may be permitted to speak of the growth in a consecutive way. My experience with the company, of course—covering as it does my service with the company, nearly 59 years—covers essentially the entire growth of the company. When I entered the company's service the assets were under 40 millions, the insurance in force something over 100 millions. Today the assets of the company are \$2,600,000,000 and the insurance in force is something under \$7,000,000,000.

With all modesty I would say that myself and my brothers, who entered the service at practically the same time, have contributed quite a part in the growth of the New York Life Insurance Co.

Mr. GESELL. What did you say the admitted assets were at the present time, sir?

Mr. BUCKNER. Two billion—just a little bit under \$2,700,000,000.

Acting Chairman KING. \$2,600,000,000, you stated.

Mr. BUCKNER. A little less than \$7,000,000,000 of insurance in force. Did I? I am sorry, I never had any head for figures.

I would like to say, if you will permit me, a little as to the background concerning the development and growth of the New York Life Insurance Co. My father was the manager of the company at Milwaukee, Wis., in 1879. He took myself and two brothers into the office one at a time, serially, so to speak, in the service of the company as office boys, developing us along the line, for a few years, of experience. Following that, I went out in the field as an agent in the State of Iowa, and I began my contribution toward the growth of the New York Life. My younger brother, a little later, went into Minnesota and North Dakota, and contributed his share in the growth of the New York Life, small as it might have been in those days.

My older brother remained in Milwaukee, continuing there as the head of the company's business, the production end of the business, for a little over 40 years.

Acting Chairman KING. Milwaukee was the headquarters of the office?

Mr. BUCKNER. At that time it was the headquarters; and upon the end of his service there he retired from active business.

My younger brother handled the production end of the business as he developed into manhood in the Northwest, the near Northwest, while I went into the Southwest. Later my brother was transferred to Paris, where he had charge of the European business of the company, and was subsequently made a vice president. He spent 10 years there in developing foreign business very successfully, and then the war came on, and with the aftermath of currency debasement and entanglements resulting from the war, we considered it wise to liquidate the foreign business, which my brother spent the next 10 years in doing, and very successfully.

On my part I was eventually in Chicago. On the birth of my son I decided that he should likewise follow in the insurance business after he went through school. He finally went to Yale and about 20 years ago my predecessor took him into the home office as a clerk, and he has been there for 20 years. Now that is a little background that I am giving because beginning in 1880 the development in New York Life started. I had charge of all the American business after I became fourth vice president of the company in 1900. My brother had charge of the European business, I mean the production end.

Mr. GESELL. By production you mean the writing of insurance policies?

Mr. BUCKNER. Writing of new business, and so we of course have played somewhat a large part in the growth of the company. The growth of the company from 1880 on was just a moderate growth, such as a life-insurance company naturally has, until 1893 when the company got out a new policy form, very much more liberal to the policyholder; incidentally it extended all the benefits to the old policyholders, a policy containing loan privileges, and reinstatement privileges, and days of grace, and so forth and so on. That gave a great impetus to the business from 1893 on up to 1906; we grew rather rapidly. In the investigation of 1905 of course we got pretty hard hit, the agents did, and then the laws of 1906 which became effective, as I recall it, Mr. Chairman, on January 1, 1907. Those laws contained restrictions in most every direction, and I would like to say now wise restrictions with the exception of stunting the growth of companies.

Mr. Hughes, then Governor of the State, still Governor of the State in 1910, realized this and approved an amendment to the limitation of new business, permitting growth, and as the result of that amendment we began to grow, from 1910 on until the war came along. Then we had several new factors enter into life insurance, notably the advent of women into the economic life of the country, into business. We had a very small percentage of women, for illustration, in our home office in 1906; I should say less than 10 percent of our clerical force; while today out of 4,500 employees I am quite sure we have over two-thirds women. They have gone into wage earning and of course they naturally took out life insurance with their earnings

as a protection to those whom they were helping to support, and particularly as a savings for old age and for the purpose of buying annuities in old age.

Acting Chairman KING. If I may interrupt, my recollection is that the women of the United States have policies now greatly in excess of the number held by men, going into some twenty or thirty millions of policies?

MR. BUCKNER. That just illustrates my point. That has accelerated quite a bit of new business, and of course it is a new business that increases insurance in force. Insurance in force means increased assets. The another element came in. A large part of the people had been considered by life insurance companies as impaired risks, not insurable. Our actuaries and medical department had, some years prior to 1906, developed a plan to cover the impairment and grant insurance to these impaired risks, but the coverage was not satisfactory. It was based on a wrong theory, that is an unpopular theory, of putting liens on the policy, so that if a man died in the first year his wife would not get much; if he died in the fifth year she would get more, and so on the liens ran. However, that was not popular, and after 1906 the actuaries of the company devised a new method of meeting the impairment with very satisfactory results, which brought to these people a practical way of getting insurance without feeling that the family would get less than the face of the policy. That was a system of advancing the age of the insured to meet the impairment. For example: if an impaired risk 35 years old had a calculated life expectancy equal to that of a good risk 40 years old we insured him at the rate of age 40, and that way covered the hazard.

That added materially to our new production and the prosperity of the company, and the company grew fairly fast after 1910, I would say, when the limits were off. Let me say, the limitation bill was amended to permit growth based on economy of management, and that is the economy of management which Mr. Hughes thought was the prime purpose, and if the company were able to keep its expenses of procuring business within the amount allowed by law, then they should be allowed a certain percentage of growth, based on those ratios.

Acting Chairman KING. Is that a present law in New York State?

MR. BUCKNER. Yes; that is a present law. It has been somewhat enlarged by taking a little different category of expenses into——

MR. GESELL (interposing). There is a different limitation on costs.

MR. BUCKNER. Yes, sir; and if we stay within it percentage of growth is permitted.

Then the war came on and gave us what we thought was going to be a back-set, but on the contrary the war popularized life insurance as no number of agents could ever have done. The Government of the United States did it in putting out, in establishing, the War Risk Bureau. There the Government, quite properly, insured the soldiers and the sailors, but they put a valuation on the life of men, young men without training, either mental training perhaps or any business experience. They put a valuation of \$10,000 on that life, and he was urged to take this \$10,000 insurance. That, of course, went all over the United States. The father of the boy, with perhaps a wife and other children to support, said, "Well, if my boy is going to carry \$10,000 insurance for my protection, I am totally uninsured, or rather underinsured." It gave a great impetus to the business.

Following that came the influenza epidemic. That frightened the people of the country into a realization of the uncertainties of life as no amount of ordinary argument could ever do. That gave life insurance a great impetus, and added to those other factors. The business grew very rapidly in the twenties. I think it was something like 2 billions of insurance we had in force in 1910 or thereabouts, and the business ran up to over 7 billions during the twenties. Then growth stopped during the depression. As a matter of fact, the factor that governs growth, the yardstick factor, is the insurance in force. Assets may continue to grow for a time, diminishing in growth after the insurance in force becomes static, but eventually it is bound to get down to the level of that insurance in force as the ages of policies become an average age.

MR. GESELL. You mean by that, Mr. Buckner, that if you want a barometer from day to day of whether a company is growing, it is best to look at the insurance in force from day to day because the assets are always catching up with the insurance in force.

MR. BUCKNER. Exactly. I would like to say that our insurance in force December 31, 1928, was 7,000,000,000—I think I have it here but if I haven't I will give it approximately—it was 7,266,000,000, in our company and at the end of 1938, that is bringing it right down to date—after 10 years our insurance in force is \$6,793,000,000 so that we have \$472,000,000 less insurance in force after 10 years from the high-water mark—it got a little higher in '30 but I am taking the 10-year period, in which there is a reduction. We have been standing still on the insurance account during the depression.

MR. GESELL. May I ask whether during this period, Mr. Buckner, your company has made a concerted effort to write even your business—

MR. BUCKNER (interposing). We have never ceased to do that. If you will permit me, I would like to finish up a little bit.

MR. GESELL. I am sorry. I thought you were through.

MR. BUCKNER. While the insurance in force has not increased, the assets on the insurance account, if no other factors are involved, would be only two or three—let's see if I am right—a couple of hundred millions, two or three hundred millions more at the end of 1938 than it was at the end of 1928. But there were other elements which entered into it, unexpectedly I may say, to increase assets and not increase insurance in force.

MR. GESELL. Do I take it, then, that your assets have increased since 1928 though your insurance in force has not?

MR. BUCKNER. That is it, though now the increase has been quite large to—

MR. GESELL (interposing). What has been the increase?

MR. BUCKNER. That I haven't the figures on, but it has been very substantial. I should say probably a billion dollars.

MR. GESELL. About a billion dollars.

MR. BUCKNER. That is just an approximation. I really don't have the figures in my head.

Now, the trend that brought the assets to growing way beyond what would be expected when the insurance stands still was the great confidence that the people of the country seemed to acquire in the life-insurance companies when their confidence had been shaken through the disasters, financial disasters and losses, stock-exchange securities,

and so forth and they began to turn their money toward us. One point was, people began to pay their premiums in advance, not one year in advance but years, on a discount basis. They would discount their premiums for 10 years in advance. They were afraid to put it anywhere else.

Mr. GESELL. You became more and more in the banking business.

Mr. BUCKNER. I am sorry to say it has that aspect, but that was an option and that was a privilege they had.

Then people, whose dividends were usable to reduce their annual premiums as they fell due, paid the premiums in full and began to leave the dividends with the company as they had a right to do under the policy contract.

Mr. GESELL. So with respect to those——

Mr. BUCKNER (interposing). One hundred millions of dividends are now left with the company.

Mr. GESELL. So in a sense your company is really an investment trust for that hundreds of millions of dollars?

Mr. BUCKNER. Well, if you want to construe it—that is probably a part of the picture of life insurance companies. As Governor Hughes said in an address, it is not only a protection but it is an outlet for the thrift of the people, for savings for themselves in old age or for their families or for annuities, and so forth.

Then a bigger tide than that struck us and that was the purchase of annuities. Of course, we are in the business to sell annuities and life insurance. The reserve for annuities at the start of this period was—well, in 1905 we had a reserve to meet all annuities that had not been liquidated up to that date, all that had ever been taken with the company, of \$16,000,000. In 1928 we held 47 millions as a reserve for annuities. Then the troubles came and—they may be due to the great confidence in insurance—and we are not alone; every company has the same story: At the end of 1938, the 47 millions of 1928 had risen to three hundred fourteen odd millions as reserve on annuities.

Mr. GESELL. It would be safe to say, wouldn't it, that some of the previous charts we had here indicating that the insurance companies were taking more and more of the public savings were correct and that in recent years there has been an increasing turn of the people to the insurance companies?¹

Mr. BUCKNER. I don't exactly like your phraseology of taking——

Mr. GESELL (interposing). Receiving, I should say.

Mr. BUCKNER. We are just about in the same business in that respect that the United States Government is in, and all praise to the Government for the baby bond.

Mr. GESELL. Yet the people are coming with money to you.

Mr. BUCKNER. The people are saving the money that they earn, and, mind you, these are the small people; the big people don't cut much figure in the life-insurance game. Our average policy is only \$2,400. It is the little fellow with the small savings he is accumulating with a life-insurance policy to protect his family and at the same time to save his money for his old age.

Mr. GESELL. May I ask, your company is now, in terms of insurance in force, the second or third largest?

Mr. BUCKNER. Well, we do one class of business. I should say if you eliminate the group insurance and industrial insurance, we would

¹ See "Exhibit No. 221", supra, p. 1189.

still be third. I mean to say that I think we would be third, even on ordinary business; the Metropolitan and Prudential being the larger.

Mr. GESELL. You have never written any industrial insurance?

Mr. BUCKNER. No.

Mr. GESELL. Why is that?

Mr. BUCKNER. Well, to be frank with you, from time to time, not in the last 10 years, 15 years, perhaps, but even when I was vice president, we had talks about it, but we concluded the field was well covered and ably covered and there was no room for additional competition in that field. It is the kind of business in which you cannot get a whole lot of people; if life insurance could take a square block in New York and each company going up to these people to insure them——

Mr. GESELL. Why not? That is what is happening in the ordinary field.

Mr. BUCKNER. The ordinary field is as wide as the poles; this other is limited and concentrated. I don't know anything about the business, to tell you the truth. That is one reason why I objected, because I did not know anything about it. But we concluded that that business was well covered, plenty of coverage, and very ably done by people who knew about it, knew how to handle it, and made a study of it. We knew nothing; we stayed out.

Acting Chairman KING. You specialized in the ordinary life?

Mr. BUCKNER. We stuck to the straight and narrow path of insuring individuals, one at a time, on their own merits and own applications.

Acting Chairman KING. You think you have made a success along that line?

Mr. BUCKNER. I don't know; some people think so.

Mr. GESELL. Do you think this growth of your company which you described has been in the interest of the policyholders?

Mr. BUCKNER. Why, certainly it has been in the interest of the people who insure.

Mr. GESELL. I don't mean the new people who come in.

Mr. BUCKNER. They all came in and whether one class came last year and another class came before and the doors are open for the class of 1939——

Mr. GESELL. Let me put it this way, so you will understand what I have in mind. Do you feel that the cost of insurance in your company has decreased as the amount of the insurance in force has increased?

Mr. BUCKNER. I think you are moving into a realm where no ordinary lay life insurance man would dare to intrude.

Mr. GESELL. You are not a layman in the life insurance business, are you?

Mr. BUCKNER. The cost of life insurance involves so many questions that it would take an actuary, and a mighty good one, to finally get down to tell what you mean by cost.

Mr. GESELL. Let me——

Mr. BUCKNER. Now, I would say this, if you don't mind——

Mr. GESELL. Certainly.

Mr. BUCKNER. By and large, and I think all the books will show, and that is about the only way I find out, the New York Life dividends average well up toward the front. I don't claim that we are top, No. 1, on all counts; we are No. 1 on some and No. 2 on others, and

No. 3 on others. I want to get this in full. Pardon me, because this matter of cost in insurance has been a debatable question that goes around the ring from one January 1 to December 31, from all life-insurance agents in the country, but I want to make this point clear. The mutual life insurance companies are the factor that keep down the cost on stock companies as well as the mutual companies. In other words, they are the bulwark: stock companies have to meet the issue or go out of business.

Mr. GESELL. Let us see if I understand you on that. If a stock company is selling insurance there is the danger that the proprietary interest will draw off to themselves such amount of profit that the insurance to the policyholder will become higher and higher and the thing which prevents that from happening in some stock companies is the fact that——

Mr. BUCKNER. Well, I am speaking not in particular, but by and large.

Mr. GESELL. The thing that prevents——

Mr. BUCKNER. They are paying just what insurance costs them.

Mr. GESELL. Now coming back to my other question, I do not want to leave it. It would appear to me to be of prime importance in the operation of your business to determine whether your policyholders are getting cheaper insurance as the company gets larger because if that is not the fact it would be against the whole conception of mutuality for the company to grow, would it not?

Mr. BUCKNER. I don't think so. I think a company is a group of men, and women now, who have banded themselves together for mutual protection to insure each other's life at the lowest cost they can, but I do not think there should be any limitation.

Well, to be frank with you, you could never see it as I do, Mr. Counsellor, because I look upon life insurance as the greatest benefactor of humanity, next to religion; so that regardless of cost I would say that all who will may come into the New York Life and receive the protection of the company.

Mr. GESELL. Yes, but coming to this later prosaic accounting side of it, your obligation in running a mutual company is to provide the cheapest possible insurance to the policyholders whom you have at any given time?

Mr. BUCKNER. I would not say that.

Mr. GESELL. You feel you have an obligation?

Mr. BUCKNER. I think there is a paramount obligation and it is absolute safety and security.

Mr. GESELL. But assuming——

Mr. BUCKNER. You assume a good deal, but that is a matter of judgment.

Mr. GESELL. We have assumed here that the policyholders are amply protected.

Realizing that fact, isn't it essential that your company give the cheapest possible insurance to the policyholders at any given time?

Mr. BUCKNER. That would be our ambition, first having been sure that the company is secure beyond peradventure.

Mr. GESELL. Now, let us take in 1921, your company had so many policyholders, a certain amount of insurance in force. At that time you were actively interested in getting new business, new policyholders into the company. Did you consider whether bringing in

those new policyholders would increase or diminish the cost of the insurance to the policyholders to whom you had the obligation at that time?

Mr. BUCKNER. We did not because it is self-evident that the gathering of new policies does not increase the cost of insurance to the old policies.

Mr. GESELL. Has your company made studies of that?

Mr. BUCKNER. Oh, yes; I am sure they have.

Mr. GESELL. We have had the question up before. Would you provide us at some convenient time later on with such studies as you have made, showing the increase or decrease of cost of insurance as your company has grown?

Mr. BUCKNER. Our actuary has some figures right now.

Acting Chairman KING. We had better conclude with this witness.

Mr. BUCKNER. Well, we will furnish you with all the information we have and if we do not give you all you want, ask us for more.

Mr. GESELL. Your studies show it has become cheaper as your company has grown?

Mr. BUCKNER. I did not say that. I said the gathering of the new crop of business, an annual crop of new business, does not increase the cost of insurance to the old group. There is a distinction there, you see.

Mr. GESELL. Does it become more expensive to the policyholder, taking the over-all picture, as the company increases its size?

Mr. BUCKNER. Does it become more expensive? No; I said the new business does not add to the cost of old policyholders.

Mr. GESELL. That is the acquisition of it?

Mr. BUCKNER. Well, of course the general expense of the company I would think would naturally decrease somewhat, slightly, by the enlargement of the business. That may not be so, but it ought to; but so many new elements have entered into this picture in the last 10 years that all calculations have to be revised. Losses have been sustained; there is immense expense now in connection with real-estate transactions, handling of property, and the difficulties in the mortgage loan field. Those elements did not exist 20 years ago.

Mr. GESELL. So it is difficult to make a comparison of your figures now with your figures in 1920?

Mr. BUCKNER. Yes.

Acting Chairman KING. Could I interrupt you? You made a statement which it seems to me deserves a little further elaboration, with which, if I understood you, I concur, namely that the paramount consideration is security?

Mr. BUCKNER. That is right.

Acting Chairman KING. I suppose the funds which you accumulate, your premiums, you must invest in order to secure some returns?

Mr. BUCKNER (nodding his head).

Acting Chairman KING. And your investments are not always, no matter the care that you bestow upon them, successful?

Mr. BUCKNER. True.

Acting Chairman KING. You have to take into account the loss or the decline in the values of real estate; you have to take into account the rise and fall in the business cycle, numerous business cycles; you have to take into account the possibility of conflict with other nations, and the effect which such a conflict would have upon security values,

whether the values consist of real estate or stock or bonds, and so on, so that in determining your premium it seems to me, as you have indicated, you have to consider the question of security, and in determining that, with all of the uncertain factors in life, our economic uncertainty, our political uncertainty, you have to have a very large measure of safety in determining what your security should be, and what your assets should be, and what your reserve should be.

Mr. BUCKNER. Senator, you have stated it much better than I could.

Acting Chairman KING. Very imperfectly.

Representative REECE. May I make just another observation. As one member, I readily agree that security is an essential feature, but I wouldn't want, myself, to admit that it was a paramount feature over and above all other considerations that enter into or bear upon the scheme of life insurance, because in placing certain restrictions, security can be had, but it might be at a cost that would make it an an undesirable adventure.

Acting Chairman KING. You wouldn't want to buy a policy for \$100,000 in a corporation that you didn't believe had ample security and ample reserves in order to protect your family when you died.

Representative REECE. I said, Senator, that it was an essential feature.

Mr. BUCKNER. Then you wouldn't like it very much if we in the meantime, just to make you feel very happy, reduced the cost of your insurance by increasing your dividends, against our better judgment, and then in the evil day told you that we would have to scale your policy down 50 percent?

Mr. GESELL. Let me get at it this way, Mr. Buckner. Do you think your policyholders are any safer now that you have over 2 billion dollars' worth of assets than they were when you had only 1 billion worth of assets? Size doesn't relate to security because you have these reserves, is that not correct?

Mr. BUCKNER. We have the reserves, and we are continually strengthening the reserves even at the expense of cost of the insurance. The conditions today, if I may say so, are different from anything in my 59 years of experience that I have ever known. I have known money panics when you couldn't get your money out of the bank, and I have known of panics of that kind, but never an economic depression such as this that affected everything. Life insurance companies have suffered in this depression as well as the individuals.

Representative REECE. Some people now even feel that the banks are placing too great a premium upon security and overlooking the possibilities of service, and thereby promoting the interests of not only their clients but of the business interests of the country generally.

Mr. BUCKNER. I am not a banker, I wouldn't be able to speak on that line.

Representative REECE. I only made that observation because you referred to banks.

Mr. GESELL. We can come back to this question when we have had a chance to examine the figures we have talked about.

Turning now to the composition of your board of directors, is this schedule which I show you a correct statement of the members of the board of directors at the present time?

Acting Chairman KING. How many are there?

Mr. BUCKNER. Twenty-four, Senator. Yes, sir; I see no name getting in there that doesn't properly belong there.

Mr. GESELL. I would like to offer this schedule.

Acting Chairman KING. It may be received.

(The schedule referred to was marked "Exhibit No. 261" and is included in the appendix on p. 1558.)

Mr. GESELL. I would also like to offer for the record at the present time a schedule showing the various business affiliations of the directors of the New York Life Insurance Co. This schedule has been prepared from data submitted to us by the company and is offered subject to the usual qualification that if there are any corrections which are necessary, they can be made.

I might say that the schedule reflects, among other things, that the directors of the New York Life Insurance Co. at the present time are also directors of 20 banks and trust companies; 44 industrial companies 1 life-insurance company; 3 casualty and surety companies; 14 fire-and marine-insurance companies; 7 mercantile companies, such as department stores; 1 publishing company; 8 real-estate ventures; 11 railroads; 5 steamship lines and related ventures; 7 utilities; and 10 miscellaneous companies; a total, if my figures are right, of 131 different companies.

Mr. BUCKNER. Of course, you don't mean all of our board are on these?

Mr. GESELL. Not on all of them.

Mr. BUCKNER. I think the majority of our directors are not on anything, in any industry. You took that from our statement?

Mr. GESELL. That has been prepared from the statements you submitted, sir.

(The schedule referred to was marked "Exhibit No. 262" and is included in the appendix on p. 1558.)

Mr. GESELL. Your board is constituted of twenty-four——

Mr. BUCKNER (interposing). Twenty-four elected directors, and the president is chosen by the board of directors as ex officio a member.

Acting Chairman KING. May he be outside of the board?

Mr. BUCKNER. Yes; he is not necessarily one of the directors. He becomes a member of the board ex officio.

Mr. GESELL. Does your board have a good or bad attendance record, Mr. Buckner?

Mr. BUCKNER. I never had a chance to compare it with any other institution. I would say, however, that in my opinion they attend to business very well indeed, unusually well from what I would expect.

Mr. GESELL. You have a rather high number of directors in attendance at each meeting?

Mr. BUCKNER. I think the batting average is about 75 percent, if I am not mistaken.

Acting Chairman KING. Do you have subcommittees?

Mr. BUCKNER. Oh, yes; standing committees.

Acting Chairman KING. To whom or to which would be allotted special work?

Mr. BUCKNER. They do the work. Every director is on a standing committee.

Mr. GESELL. Has your company any working rule with respect to this matter of attendance? In other words, do you as chairman of the board, or does the board as a whole insist upon a director giving a valid excuse for any continued absence?

Mr. BUCKNER. He always gives an excuse and tells us why he is unable to attend the board meeting, although nobody made any rule on it.

Mr. GESELL. You don't find, then, that some of your directors are such busy men that they are unable to attend to the affairs of the company?

Mr. BUCKNER. I don't think any of them ever stay away for that reason. The absences are due to illness or to vacations, fishing trips, hunting trips, travel around the world, and so forth.

Mr. GESELL. Some of those are valid excuses.

Mr. BUCKNER. I never heard of a director being excused on account of business. One of our directors is sitting next to me; sometimes he might have had a case in court and he couldn't quit, but I don't know.

Mr. GESELL. How are these directors selected?

Mr. BUCKNER. Well, of course you know that one-third of the board, eight directors, are elected annually, at an annual election the second Wednesday of April of every year.

Mr. GESELL. Mr. Judson has described to us that procedure.

Mr. BUCKNER. And he told you about the mechanics. Eight of them are elected that way. That is compulsory under the law.

The vacancies that occur by death or resignation in the interim of an election, or on the part of a man whose term does not expire, who may not be elected on that account, they are selected by a nominating committee of directors of which I, as the chairman of the board, and the president, are ex officio members, as we are of all committees. Names are suggested to us by just anybody. We will be very glad to have a recommendation from any United States Senator or anybody. I wouldn't ignore the House, either.

They are suggested by friends of the company, sometimes by agents of the company; usually, however, by directors of the company, including myself, and the various names that are suggested are considered.

Mr. GESELL. Are they considered by the full board or are they considered by this nominating committee?

Mr. BUCKNER. They are considered by the nominating committee.

Mr. GESELL. And the nominating committee, having made its decision, presents its recommendations for a single individual to the board.

Mr. BUCKNER. Any member of the board can nominate somebody else.

Mr. GESELL. As a practical matter——

Mr. BUCKNER (interposing). It never has happened.

Mr. GESELL. It never has happened, and usually what has happened is that this individual who is designated or chosen by the nominating committee is appointed to fill the vacancy.

Mr. BUCKNER. I never knew the board to refuse to elect him.

Mr. GESELL. Must your directors be policyholders?

Mr. BUCKNER. No; there is nothing in our bylaws that requires that, and there are 6 directors who are not policyholders out of the 24.

Mr. GESELL. Do you try——

Mr. BUCKNER (interposing). Let me say they are all uninsurable. They would be. I could write a policy on their lives any minute.

Mr. GESELL. These six men want to become policyholders and can't?

Mr. BUCKNER. They would gladly take insurance. Several of them are beyond the age limit.

Mr. GESELL. Do you attempt to have some geographical representation on the board?

Mr. BUCKNER. Yes; we do.

Mr. GESELL. Tell us about that.

Mr. BUCKNER. Under the law, of course, you know, we are required to have a majority of the board residents of the State of New York. For safety's sake we try to have a couple of extras in New York State, because you never know when a director is going to move over to Jersey or going to move to Connecticut, suburbs of New York. That has happened. Then the residue of the board we try to select with a view to the centers of, you might say, our policyholders, central points in a zone; we don't have any prescribed zones; I don't mean to give that impression, but who are fairly representative of the policyholders in a section of the country.

Mr. GESELL. You mean by "representative of the policyholders" a man who has established a reputation in some community?

Mr. BUCKNER. Reputation. We try to select men of national reputation because we are naturally doing a national business.

Acting Chairman KING. I don't want to interrupt, but will you conclude with this witness shortly? If not, I shall take an adjournment.

Mr. GESELL. I think we had best adjourn, for I think we shall have to continue this afternoon.

Acting Chairman KING. We will take a recess until 2:30.

(Whereupon, at 12:20 p. m., a recess was taken until 2:30 p. m., of the same day.)

AFTERNOON SESSION

The committee resumed at 2:40 p. m., on the expiration of the recess.

The VICE CHAIRMAN. The committee will please come to order.

TESTIMONY OF THOMAS A. BUCKNER, CHAIRMAN OF THE BOARD OF DIRECTORS, NEW YORK LIFE INSURANCE CO., NEW YORK, N. Y.—Resumed

TRANSACTIONS INVOLVING INTERLOCKING DIRECTORS AND DIRECTORS' AFFILIATIONS—NEW YORK LIFE

Mr. BUCKNER. Mr. Chairman, I was a little confused this forenoon in the question raised by the counsel concerning costs and concerning whether or not we had calculations such as we could submit, and I find I was in error. The question of cost is one that has to be very definitely defined and dissected to arrive at exactly what is meant. I would like to suggest that one of our actuaries will get in touch with the proper S. E. C. man and come to some agreement on exactly what they want, and then we will endeavor to make calculations just to fit the ideas that they will present.

(Mr. Frank assumed the Chair.)

Acting Chairman FRANK. Very good.

Mr. GESELL. Mr. Buckner, on your board of directors you have a gentleman by the name of Mr. Harbord, have you not?

Mr. BUCKNER. Yes, sir; General Harbord.

Mr. GESELL. He is a director of the Bankers Trust Co.?

Mr. BUCKNER. I so understand. I only learned that from the statements which were got up by you.

Mr. GESELL. He is also a director of your company?

Mr. BUCKNER. Yes, sir.

Mr. GESELL. I want to read you a letter signed by himself dated June 21, 1932, addressed to Mr. Darwin P. Kingsley, who was then chairman of the board:

DEAR MR. KINGSLEY: As a director of the Bankers Trust Co., I want to thank you for the deposit of a round million which the New York Life has recently made. As a director of your own company I want to express my appreciation.

I regard the directorships in those two companies as quite the best thing that has come to me in business life, and it is very satisfactory to see this mutual relationship established between them.

My cordial regards to you.

Sincerely yours.

Have you ever seen that letter?

Mr. BUCKNER. I rather think I have; I am not sure.

Mr. GESELL. Is it the practice of your company to make preferential deposits in banks with which your company interlocks?

Mr. BUCKNER. I don't know what you mean by preferential deposits.

Mr. GESELL. Do you know anything about the circumstances of this deposit?

Mr. BUCKNER. I do not, but I am convinced that General Harbord never asked for that deposit. He learned of it probably from the bank. I am stating now what I think. Whenever he learned that we had done it, he wrote a note of thanks.

Mr. GESELL. Is it not a fact that many of the largest deposits of your company—these are deposits without interest—are deposited with banks with which your company interlocks?

Mr. BUCKNER. Some are, but many are not.

Mr. GESELL. I have before me schedule E of the annual statement of your company for the year 1937. This statement shows that as of December 31 of that year, your company had approximately \$63,000,000 on deposit with some 71 different banks, none of this money at interest. There were 12 banks in which the deposits were in excess of \$1,000,000. One of those banks is the Chemical Bank & Trust Co. Your company interlocks with the Chemical Bank & Trust Co., does it not?

Mr. BUCKNER. One of our directors is a director or an officer of the Chemical Bank.

Mr. GESELL. Mr. Johnson is a director and officer of the Chemical Bank and also a director of your company.

Mr. BUCKNER. Right.

Mr. GESELL. Until a very short time ago Mr. Watts was also a director on both Chemical Bank and your company, was he not?

Mr. BUCKNER. I so understand; yes, sir.

Mr. GESELL. Now there is on deposit in excess of \$7,000,000 in the New York Trust Co. Mr. Mortimer N. Buckner is an officer of that company and a director of your company, is he not?

Mr. BUCKNER. That is right.

Mr. GESELL. There is a deposit in excess of \$5,000,000 with the Bankers Trust Co. Mr. Bliss, Mr. Harbord, and Mr. Hilles are connected both with that bank and with your company, are they not?

Mr. BUCKNER. Correct.

Mr. GESELL. I notice a deposit in excess of \$2,000,000 with the National City Bank. Mr. Milliken of your board is also on the board of that bank.

Mr. BUCKNER. I understand he is on that bank board.

Mr. GESELL. I notice a deposit of in excess of half a million dollars in the Lawyers County; Mr. Smith is a director of the Lawyers County, chairman of the board, I believe.

Mr. BUCKNER. Yes; he is.

Mr. GESELL. Also a director of your company.

Mr. BUCKNER. I don't know about chairman of the board.

Mr. GESELL. He is on the board.

Mr. BUCKNER. I understand so.

Mr. GESELL. He is also on the board of your company.

Mr. BUCKNER. Yes.

Mr. GESELL. I notice a deposit in excess of \$1,500,000 with the Northern Trust Co. of Chicago. Mr. Ryerson is on the board of that bank and on the board of your company, is he not?

Mr. BUCKNER. He is.

Mr. GESELL. May I return to my original question and ask you if there is any relationship between the placing of these large deposits in either of these special banks and the fact that your company interlocks with those companies?

Mr. BUCKNER. I don't know what you mean by relationship. There is no advantage taken because of those banking relationships, because of the fact that one of our directors is a director, or vice versa.

Mr. GESELL. It would be of an advantage to any bank to have \$7,000,000 on deposit on which it did not have to pay interest, would it not?

Mr. BUCKNER. In regard to not having to pay interest, of course you know, Mr. Counselor, that that is a matter over which we have no control.

Mr. GESELL. I realize that, but still to have a deposit of \$7,000,000 is of advantage to the bank, is it not?

Mr. BUCKNER. I am not sure; I would not know. We know it is an advantage to us to have our money safely banked. May I also be permitted to refer to the fact that there are a good many banks in New York City in which we have large bank accounts, where our director is not a director of the bank.

Mr. GESELL. Yes; I think I stated this \$63,000,000 was distributed among 71 different banks. Your large deposits are, to a considerable extent, with the banks with which you do have this interlocking relationship?

Mr. BUCKNER. I would not think any larger than one or two others; possibly so at some special time.

Mr. GESELL. The records as of December 31, 1937, indicate that half the banks having deposits in excess of \$1,000,000 are banks in which your company is connected through a director who is on both boards.

Mr. BUCKNER. I have just been handed this statement about bank balances, in what we call our depositaries of funds available for investment.

Acting Chairman FRANK. As of what date?

Mr. BUCKNER. December 31, 1938. In the Chemical Bank & Trust Co. we apparently had \$5,366,000; in that bank we have a director who is a director in our company. The Chase National Bank had a balance at that time of \$5,703,000, and a collection account, which is additional to that; that means it would be open to check the next day—\$2,914,000, which would make a balance of over \$8,000,000 in that bank. We have no director—none of our directors, so far as I know, are connected with that bank. The Central Hanover Bank & Trust Co., we had a balance of nearly four millions at the end of 1938. I know of no director connected with that bank. I am not sure—I think I have a better statement checked off.

Mr. GESELL. We will be glad to receive from you at a later date through Mr. Ballantine a schedule of the deposits showing which banks you are connected with and with which banks you are not. Is it the practice of directors on the board of your company to solicit the deposits of your company with banks with which they are connected?

Mr. BUCKNER. I never knew it to be done.

Mr. GESELL. You recall that Mr. Granger Hollister was at one time on the board of directors?

Mr. BUCKNER. He was.

Mr. GESELL. Of your company?

Mr. BUCKNER. He was.

Mr. GESELL. I wish to show you a letter addressed to yourself, dated February 15, 1910, in which he says, "I would appreciate very much the designation of this company as the depository of the funds of the company for Rochester"—referring to the Securities Trust Co.

Mr. BUCKNER. Let me say that when I made that statement I had in mind, of course, the banks where we really have funds for investment purposes. This is merely a branch office bank for the temporary deposit of premiums that are received in that office. We were going to open an office there and we asked him, I think, if he could tell us a good bank. That is my recollection.

Mr. GESELL. Do I understand that the directors sometimes do ask for deposits of small deposits?

Mr. BUCKNER. They might because we have those all over the United States. I would not say that they do often. That may have occurred. That evidently did occur. It is of no significance because the bank balance—as a rule those bank balances are so small that the banks try to charge us for having the account there.

Mr. GESELL. Now Mr. Harper Sibley was elected to your board sometime in March of 1938?

Mr. BUCKNER. Yes, sir.

Mr. GESELL. May I call to your attention a letter from him addressed to Mr. Aiken of your company calling attention to a company, with a bank with which he is connected?

Mr. BUCKNER. In Rochester?

Mr. GESELL. Yes.

Mr. BUCKNER. The same answer I would give exactly as I gave to the Hollister question. That Hollister incident I think happened many years ago.

Mr. GESELL. Now let us take the case of the Northern Trust Co. in Chicago.

Mr. BUCKNER. Yes.

Mr. GESELL. Mr. Ryerson of the board of directors of your company is a member of the board of directors of that bank?

Mr. BUCKNER. Yes; he is.

Mr. GESELL. You had on deposit there as of December 31, 1937, approximately \$1,500,000?

Mr. BUCKNER. That is one of our large depositaries.

Mr. GESELL. Is it not a fact that Mr. Ryerson was instrumental in having that deposit made in that bank?

Mr. BUCKNER. Certainly not, so far as I know. He learned of it and appreciated it, but he had nothing to do with it and never asked for it.

Mr. GESELL. Do you recall that in July he had discussions with Mr. Alfred H. Meyers, your treasurer, with respect to that account?

Mr. BUCKNER. I do not know about that. What do you mean? Mr. Meyers probably told him we were going to open an account in that bank.

Mr. GESELL. Mr. Ryerson had nothing to do with that account?

Mr. BUCKNER. Certainly not.

Mr. GESELL. Why was the deposit made in that bank?

Mr. BUCKNER. You would have to ask the treasurer about that, but I think it was because our balances were getting too big in his opinion in the other two banks we were dealing with, and he had felt that we should open up an additional account, and this trust company was one of the strongest banks there in his opinion, and in mine, too. That accounts for our opening up accounts with a good many new banks, because of the large balances we were carrying.

Mr. GESELL. Do these large deposits come before the board of directors for consideration?

Mr. BUCKNER. Come before the finance committee.

Mr. GESELL. And then the finance committee reports to the board?

Mr. BUCKNER. The finance committee makes its monthly report to the board.

Mr. GESELL. What part in those considerations do the directors who are involved both with the banks and with your company take?

Mr. Johnson, Mr. Watts, Mr. Buckner, Mr. Bliss, Mr. Harbord, Mr. Hilles, Mr. Milliken, Mr. Smith, Mr. Ryerson, all those gentlemen who are connected both with the banks and the company?

Mr. BUCKNER. I think I would say in nearly all the cases you name there, outside of Ryerson, they were bank accounts that were in existence before those men became directors of the New York Life. That certainly is true of the New York Trust and Chemical Bank.

Mr. GESELL. Possibly before these particular individuals, but is it not a fact you have had representatives from these banks on the board many, many years?

Mr. BUCKNER. Not that I know of.

Mr. GESELL. How long has Mr. Buckner been on your board, sir?

Mr. BUCKNER. I could tell; I haven't the figures here, but we were doing business with the New York Trust I think 50 years ago. He has been on 17 years and we have had an account with that bank 50 years.

Mr. GESELL. Now let me take the case of the Bankers Trust Co., which we referred to at the opening of this discussion. That account was opened on June 17, 1932, was it not?

Mr. BUCKNER. I think that is so, about that time.

Mr. GESELL. Mr. Harbord come on the board of your company December 9, 1931?

Mr. BUCKNER. No doubt.

Mr. GESELL. There was a case where the relationship took place before the deposit was made?

Mr. BUCKNER. Yes. The purpose in opening that bank account was solely one of dividing our funds up into more banks at a time when we were carrying very large balances. We opened accounts in several banks, I think, around about that time.

Mr. GESELL. Now how long before a man becomes director is his nomination placed before the board of directors?

Mr. BUCKNER. Well the nomination is placed at the next meeting after the nominating committee nominates, the next meeting of the board.

Mr. GESELL. Just a month intervening?

Mr. BUCKNER. Well, it might not be a month.

Mr. GESELL. A month or less?

Mr. BUCKNER. A month or less. It would be less than a month; if it had been prior to the previous board meeting it would have been introduced and we make our report to the next board meeting.

Mr. GESELL. Is it the practice of these banks to actively solicit deposits of your company?

Mr. BUCKNER. I would not know as to that, but I think not. The treasurer handles the bank balances and bank accounts.

He makes his recommendations to the finance committee and they act upon them.

Mr. GESELL. These instances where the deposits are with the banks on which a member of your board of directors is also a director, I understand, is purely a matter of coincidence in each case.

Mr. BUCKNER. Well, I don't know—there is only one you have in mind, I presume, the Northern Trust Co., is it not? The others are since the time——

Mr. GESELL (interposing). What about the Bankers Trust Co.?

Mr. BUCKNER. How long a time have they been?

Mr. GESELL. I think Mr. Harbord came on in December of 1931 and the deposit was made in June.

Mr. BUCKNER. That was purely a coincidence. It was due to the fact that the treasurer and the finance committee agreed our money should be spread. We don't like to keep all our eggs in one basket.

Mr. GESELL. Is there any particular reason why directors would sometimes suggest small deposits in out of the way banks, but not suggest large deposits in banks near at hand? You have stated, I believe, the directors sometimes do ask for deposits of a small amount.

Mr. BUCKNER. That has happened. You brought up two instances. I don't think that is a very common practice. I think it is more likely we ask the directors who are familiar with the situation the name of a good bank in a certain place where we are going to open up a new office.

Mr. GESELL. Well now, let's go on to another aspect of this situation for a moment. Mr. Harbord is a member of the board of directors of the Employers Liability Assurance Corporation, is he not?

Mr. BUCKNER. I never knew that, but I have heard that now.

Mr. GESELL. Mr. Hilles is connected with the Employers Liability Assurance Corporation.

Mr. BUCKNER. He is the resident agent.

Mr. GESELL. They write forms of insurance?

Mr. BUCKNER. Casualty and liability, public liability.

Mr. GESELL. Is it again just a coincidence that the Employers Liability Assurance Corporation writes the public and elevator liability insurance on your company, the workmen's compensation insurance, steam boiler insurance, power plant insurance, surety bond on agents doing a mortgage loan work, and writes similar insurance on the printing building of your company?

Mr. BUCKNER. You mean the fact that we do business with them?

Mr. GESELL. That you pay premiums to them.

Mr. BUCKNER. There is no coincidence about it. We were doing business with that firm before Hilles was on our board.

Mr. GESELL. Mr. Hilles did not ask for this business after he was on the board of directors?

Mr. BUCKNER. Ask for more business?

Mr. GESELL. Ask for more business.

Mr. BUCKNER. I wouldn't know that, but I would presume that may be true.

Mr. GESELL. The business has increased, has it not?

Mr. BUCKNER. Business of that type has increased enormously.

Mr. GESELL. The payment of these premiums again came before the board of directors for their consideration?

Mr. BUCKNER. I am not sure about that. I don't have anything to do with that part of the detail of our company.

Mr. GESELL. What do you think about the proprieties of a situation where members of your board of directors are interested in another company which does a large amount of business with your company, such as this?

Mr. BUCKNER. I wouldn't think that we should be debarred from utilizing the services of another corporation where we believe it to our advantage to do so, and where the cost is as low or lower than obtainable elsewhere, solely because one of our directors has a connection with that institution.

Mr. GESELL. It is a little difficult to turn your director down, Mr. Buckner.

Mr. BUCKNER. It would never be difficult for me if I thought he was taking advantage of us, and we have no directors who would do that.

Mr. GESELL. You think it is quite proper, all other things being equal, for the New York Life Insurance Co. to give some particular line of business which it has to a company upon which other of its directors are associated?

Mr. BUCKNER. Where it is to our advantage to do so and where the cost is no greater. Of course, there is such a thing as service, and fair treatment, and we have found Employers Liability always gives that. It is one of the strongest companies and we were doing business with them before Mr. Hilles became a director of New York Life. I would see no reason—I have nothing to do with that end of our business, it comes under the real estate department—but I would see no impropriety whatever in our continuing to do it. I would think it would be improper for us to stop doing business with them solely because their representative, their agent, was a member of our board, always presuming that it is not to the disadvantage of our company but, on the contrary, to our advantage to continue.

(Representative Sumners resumed the Chair.)

Mr. GESELL. Now what about the situation where you are buying securities, let us say, from one or more of the banks in which your directors are also interested?

Mr. BUCKNER. That you would have to talk to the treasurer about, because I never knew they did that except for Government bonds. They put in our orders for Government bonds.

Mr. GESELL. You place orders for such bonds with the Bankers Trust and the Chemical Bank & Trust Co., do you not?

Mr. BUCKNER. They may represent us in getting some of those bonds for us. We don't buy the bonds from them.

Mr. GESELL. Do you buy stocks on occasion from those people?

Mr. BUCKNER. No, sir; not that I know of. I never heard of such a thing.

Mr. GESELL. Do I understand that as part of what you say you feel it proper for a director to actively solicit such business from the company, one of your directors?

Mr. BUCKNER. I would see no reason why he shouldn't bring it to our attention; if he knew that we have some new business to offer, he could bring it to our attention and say he could handle that. There is an advantage to the company, almost a necessity, and where this casualty and public liability company is concerned, it has to be a good one, of course, and one that would give us fair treatment and the greatest service. The reason we have to do that is because we have to have blanket insurance, a blanket policy automatically putting them on the risk the minute we acquire a piece of property in Seattle or Los Angeles. Even before we know we have got that property they are on the risk.

Mr. GESELL. Let's take it around the other way. If I am connected with Employers' Liability Insurance Corporation, let's say, and I know it is to the business advantage of my company to get on your board of directors, am I not more apt to be interested in the business of my company than in the interests of policyholders?

Mr. BUCKNER. I don't think any director ever did that.

Mr. GESELL. It is inherent in the situation, is it not, Mr. Buckner, if your company does business with directors who are also connected with other companies; does business with their companies?

Mr. BUCKNER. If we are stopped from having any ordinary transactions that are necessary transactions for our company, if we are to be estopped from doing business with any institution where a director of our company was connected—well, we would just have to get a lot of directors that lived out where they never heard of investments or securities or anything of that kind. We couldn't get a board of directors that could give us proper advice and counsel and help.

Mr. GESELL. Well, you would say, would you not, that the strictest propriety would have to be observed in the situation?

Mr. BUCKNER. Absolutely.

Mr. GESELL. Now Mr. Alfred E. Smith is chairman of the board of the Meenan Oil Co., is he not?

Mr. BUCKNER. I have heard that. I didn't know that until I heard it.

Mr. GESELL. The Meenan Oil Co. does business with your company, does it not?

Mr. BUCKNER. I understand they have a very, very small contract, nowhere near the amount of oil we use in New York.

Mr. GESELL. Let me read a memorandum to you. This is a memorandum from Mr. Van Anden, who is in your real estate department, to Mr. Van Schaick, who is one of your vice presidents, dated October 11, 1937 [reading from "Exhibit No. 263"¹]:

The oil requirements for 1 year for heating our properties amounts to approximately 2,449,800 gallons. Of this amount, Meenan Oil Co. supply 1,275,000 gallons. Last week we succeeded in giving them contracts amounting to 22,000 gallons additional.

The agents have already contracted with other companies for the purchase of 927,000 gallons of oil for the coming year. There is open 225,000 gallons to be contracted for.

The managing agent of the property where 200,000 gallons is to be purchased, has a price of 0.0370 a gallon, good until January 1, 1938. Their top price is 0.0404. Meenan Oil Co.'s price is 0.0370, good until January 1, 1938. Their top price is 0.04285. We can contact Meenan and see if they will meet the price of 0.0404. If they will, we can direct the agent to give this additional contract to Meenan.

Now that memorandum would suggest to me, Mr. Buckner—

Mr. BUCKNER (interposing). That is 1937? I was thinking of 1938 when I remarked they got a very small contract.

Mr. GESELL. A very substantial amount of business went to them in 1937.

Mr. BUCKNER. Apparently.

Mr. GESELL. Mr. Alfred E. Smith was a member of your board of directors in 1937?

Mr. BUCKNER. Yes, sir.

Mr. GESELL. He was chairman of the board of the Meenan Oil Co. at that time?

Mr. BUCKNER. Yes.

Mr. GESELL. Would you believe that the indications in this memorandum, which suggest a revision of bids from Meenan Oil Co. in order that they could get the oil business from your company, is observing the strict proprieties we were talking about a moment ago?

Mr. BUCKNER. I wouldn't be able to express an opinion on that without knowing the facts, all the facts. I understand that all our supplies of that type, and every other type, are taken on bids.

Mr. GESELL. Here a man bid lower than Mr. Smith and they go back to Mr. Smith to revise his bid, do they not?

Mr. BUCKNER. Apparently, from what you said. That I didn't know anything about.

Mr. GESELL. The situation becomes increasingly complicated by the fact that Mr. Smith has solicited business from your company while he was a director. May I read you this letter from Mr. Smith, addressed to yourself, dated June 7, 1938 [reading from "Exhibit No. 264"]:

For several years our company has been supplying the fuel oil needs of some of the largest users in Greater New York, Nassau and Westchester Counties, as well as several thousand home owners.

Our vice president, Mr. R. G. Phelps, advises me that most fuel-oil contracts are up for renewal between June 1 and late fall. It has occurred to me that you may own, or manage, buildings using fuel oil. I am taking this means to respectfully request that you give our company an opportunity to bid on your fuel-oil requirements, when you are in the market.

¹ See letter subsequently submitted by George S. Van Schaick, vice president of New York Life Insurance Co., bearing on this exhibit, appendix, p. 1645.

Our source of supply comes from the Standard Oil Co. of New York, one of the world's largest oil companies. We are thoroughly equipped to render prompt and efficient delivery service at all hours. The prices on all grades are fair, and the quality of fuel oil will be to your satisfaction.

When you are in the market, any consideration you give Mr. Phelps and our company will be personally appreciated.

Mr. BUCKNER. I think that is a fair thing for him to say, that he would appreciate our giving them a chance to bid on the oil.

Mr. GESELL. Here is another letter addressed to Mr. Aiken of your company in 1935, signed by Mr. Smith [reading from "Exhibit No. 265"]:

If you can help the Meenan Oil Co. on the contract for oil in the Vanderbilt Hotel, I will appreciate it.

It becomes increasingly difficult, doesn't it, Mr. Buckner, with that kind of solicitation from one of your directors—

Mr. BUCKNER (interposing). It would have no impression on me. I would simply say the Meenan Oil Co. could make a bid, and if the lowest bidder can render the service the others can, they would get the contract.

Mr. GESELL. Here is another letter to your company from John F. James & Sons, Inc., in 1937, in which he writes to the attention of Mr. Cotter, who evidently is one of your employees in the real estate department, and says [reading from "Exhibit No. 266"]:

We have acted under your verbal instructions to purchase all fuel oil from Meenan Oil Co.

Mr. BUCKNER. I never heard of that. I don't know anything about it. I don't know who Cotter is.

Mr. GESELL. I would like to offer for the record the four documents concerning which we have just referred.

The VICE CHAIRMAN. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 263 to 266" and are included in the appendix on pp. 1562-1563.)

Mr. GESELL. Just to go on a moment with this, Mr. Buckner. Mr. Ridley Watts was on your board of directors, was he not?

Mr. BUCKNER. He is dead now.

Mr. GESELL. He was on the board of directors in October 1937, was he not?

Mr. BUCKNER. I think he was.

Mr. GESELL. He wrote on that date to Mr. Kingsley, Walton P. Kingsley, vice president of your company, enclosing a letter from the America Fore Group, which is evidently a group of fire-insurance companies, and he says [reading from "Exhibit No. 267"]:

Confirming our telephone conversation of yesterday, I enclose letter which Mr. Culver, president of the American Fore Group, received from our vice president in Chicago, Mr. E. A. Henne.

I shall appreciate it if you will check this matter up. Anything you can do to protect the interests of our good companies in their close association with the New York Life will be greatly appreciated by me.

This correspondence would indicate that after one or two drafts of letters this draft was prepared by Mr. Van Schaick to Mr. Ridley Watts on November 16, 1937, stating in substance, after referring to the matter [reading from "Exhibit No. 268"]:

We regret what happened and will try at appropriate opportunity to rectify what was done by giving to your companies an equivalent amount of insurance in that territory.

Does that not again indicate a preferential treatment to companies with which one of your board of directors was connected?

Mr. BUCKNER. I wouldn't think so. I would think the director of our company, who was director, if I understand it, of those four companies—

Mr. GESELL (interposing). He refers to them as "our" companies.

Mr. BUCKNER. I don't know in what sense they were his companies. From what you read—I know nothing about the facts—from what you read I would say that for some reason of local nature in the hands of our local representative down there they took the business away from those companies and gave it to some other company. I wouldn't think that was a square thing to do.

Mr. GESELL. You mean square to your directors?

Mr. BUCKNER. No, no; I wouldn't think it was square to those companies if they were good companies, and I presume the indications are from that letter that Mr. Watts thought that wasn't fair play either, and wrote and complained about it.

Mr. GESELL. I would like to offer this correspondence for the record.

(The correspondence referred to was marked "Exhibits Nos. 267 and 268" and is included in the appendix on p. 1564.)

Mr. GESELL. Does it come down to this, Mr. Buckner, that if a company with which your company interlocks can provide good service to your company and desires the business of your company, your company will favor them?

Mr. BUCKNER. No; I wouldn't put it that way.

Mr. GESELL. Will you try to state it your way?

Mr. BUCKNER. I think we should not be barred from acquiring the services of a corporation whose business is a business where we have need, and where we can get—where the cost is no greater and we believe it to our advantage to deal with them. We shouldn't be barred just because our director has relations with them.

Mr. GESELL. Even though the dealings may result directly or indirectly in some profit to the director?

Mr. BUCKNER. Well, of course, a director would have, I imagine, some indirect profit in his directorship if the stock is any good, if it pays any dividends. If you carry out your theory as indicated by you to its logical conclusion, we never could send a radiogram, never buy a desk up at Macy's because Mr. Percy Straus is on our board; we wouldn't be able to send a Western Union telegram. I don't know where we could do business anywhere in any direction.

Mr. GESELL. Then you say that buying a desk for one of your offices at Macy's is just the same as giving all of many lines of insurance to a single company with which you have two directors interlocking?

Mr. BUCKNER. It is the same principle; it may not be the same degree, but there are certain lines of business it is an advantage to the company to utilize—as in the case of Employee's Liability. When it comes to oil, the best man gets the bid. I don't think any director should take advantage of his directorship with us to profit at our expense.

Mr. GESELL. But if he profits without its being to your expense, that is all right?

Mr. BUCKNER. Well, I don't know. That is an ethical question I would rather not answer.

Mr. GESELL. Would you consider that one of the benefits of interlocking?

Mr. BUCKNER. I don't think that any of the directors of our company ever dreamed of coming with the company because he would profit by it.

Mr. GESELL. Let's turn to one or two more cases. You are familiar with the case of Frank Presbry & Co., are you not?

Mr. BUCKNER. Yes; knew him very well.

Mr. GESELL. Mr. Frank Presbry used to be on the board of your company?

Mr. BUCKNER. Yes.

Mr. GESELL. He is now deceased?

Mr. BUCKNER. Yes; for some years.

Mr. GESELL. Over a period of years, while he was on the board of directors you did business with his company of an advertising nature.

Mr. BUCKNER. Before he came on the board and after.

Mr. GESELL. While he was on the board it ran into several hundred thousand dollars a year?

Mr. BUCKNER. Very likely.

Mr. GESELL. Mr. Presbry's firm made a profit, I imagine, from handling this advertising for you?

Mr. BUCKNER. From the newspaper, yes; but he didn't make any profit from us.

Mr. GESELL. See if I correctly state what that situation was. At the beginning you paid Mr. Presbry direct for the advertising and he transmitted to the newspapers the amount of money owing them for the advertising.

Mr. BUCKNER. That may be; I don't know.

Mr. GESELL. Less a 15-percent commission.

Mr. BUCKNER. Possibly, I never knew that—as to which way it was handled, I mean.

Mr. GESELL. Then the question came up as to whether or not that was in accordance with New York law, did it not?

Mr. BUCKNER. I never heard that.

Mr. GESELL. Well, may I ask you to examine a moment, then, your correspondence with him about that point, Mr. Buckner?

Mr. BUCKNER. Yes; I am familiar with this. I had forgotten that at one time he billed us the bill first, and then furnished us with the proofs of the ads later, and the receipts.

Mr. GESELL. So that for a while he was receiving—

Mr. BUCKNER (interposing). Evidently he was. I am sorry I had overlooked that and had forgotten that entirely, but it is not of any moment at all, so far as I can see.

Mr. GESELL. At that moment, handling the account the way it was, there was a commission being paid directly to one of your directors for placing this advertising.

Mr. BUCKNER. I would think that was highly technical.

Mr. GESELL. You continued to do business with him and worked out a different method of payment?

Mr. BUCKNER. I would presume we paid him after the ads were run.

Mr. GESELL. And that business ran into several hundred thousand dollars a year?

Mr. BUCKNER. Oh, yes. We must advertise through some advertising agency, and it wouldn't be wise to divide it. The advertising

business may seem large in figures, but we have been doing business with the Frank Presbry Advertising Corporation for a long time before he came on our board, and when he came on, at the time Mr. Kingsley was president, he said right away that he wouldn't come on the board if it meant losing this business of advertising. His compensation is a matter solely between himself and the publications, periodicals, newspapers, and so forth. I think it is the same with all advertising concerns. They get a reduction which is their profit in their advertising, and which we couldn't get and no other advertiser could get.

Mr. GESELL. Do I understand that when he came on the board he made that as one of the conditions precedent, that he would continue to have the business?

Mr. BUCKNER. Yes, he did. He was assured that there was no impropriety in his going on with the business, and we are still going on with them since his death.

Mr. GESELL. What about attorneys on your board, Mr. Buckner? Do you pay them fees?

Mr. BUCKNER. I would like to make that singular.

Mr. GESELL. You have one attorney—Mr. Ballantine?

Mr. Ballantine is connected with the firm of Root, Clark, Buckner & Ballantine, is he not?

Mr. BUCKNER. Yes; he is.

Mr. GESELL. Did that firm receive any fees from your company in 1932, 1933, and 1934?

Mr. BUCKNER. I have no record of it, but if you have a record there, it is correct.

Mr. GESELL. The answer is they received no fees in 1932, 1933, and 1934, is it not?

Mr. BUCKNER. You seem to have zeroes there. Evidently we were not acquainted with Mr. Ballantine in those years.

Mr. GESELL. Then beginning with the year he came on the board fees have been paid to his company, have they not? Mr. Ballantine came on the board in April 1934, did he not?

Mr. BUCKNER. If that says so, he did.

Mr. GESELL. You are testifying, Mr. Buckner.

Mr. BUCKNER. April 11, 1934.

Mr. GESELL. And his firm received fees in what amounts on what dates?

Mr. BUCKNER. This schedule shows, and it is signed by one of our officials, for the year 1935 we paid the firm \$3,262.20; 1936 they were paid \$2,809.35; for the year 1937, during the year 1937, they were paid \$12,200; and during the year 1938 they were paid a total amount of \$16,392. The disbursement in 1938 amounting to \$16,000 was on account of the reorganization of the New York, Ontario & Western Railway Co. The New York Life's share of this total was \$5,267.26 and the company was reimbursed by the other life insurance companies for the balance.

For the fee of \$12,200, which looks like a very large fee for a lawyer, it contained one fee of \$10,000 paid to the firm of Root, Clark, Buckner & Ballantine, Mr. Root representing us in a suit brought by a policyholder on behalf of himself and an entire class of policyholders, which was of very great importance to the company. It was a matter that might have meant anywhere from \$15,000,000 to \$50,000,000. It was a very important suit and the firm of Root, Clark, Buckner & Ballan-

tine were retained to represent us as New York counsel. The case was primarily tried by the special counsel, Marshall Bullitt, of Kentucky, and the fee of Root, Clark, Buckner & Ballantine in this case, which the company won in the top court, was \$10,000, and that is why that is so large.

MR. GESELL. Even with these small fees, Mr. Buckner, Mr. Ballantine does not participate in the discussions when they come up for approval before the board?

MR. BUCKNER. He does not. In any case where there is a bill that he or any other director might be interested in, when it comes up for a vote he asks to be excused from voting.

MR. GESELL. Is it the practice to remain in the room?

MR. BUCKNER. He remains in the room. He is not ashamed of the bill.

MR. GESELL. Are there any other cases that you can recall where your company does business with a company with which one of its directors is associated as director and officer?

MR. BUCKNER. I can't recall any. A good deal of this is news to me.

MR. GESELL. That interests me very much, Mr. Buckner. You mean to say in your company you didn't know the fact that your directors were in regular business relationships with the company?

MR. BUCKNER. What I mean to say is their relationship as shown by their statements of their connections outside I have never known before. We don't ask the directors. Of course we know if they are a director in a bank or if they are a director in any of the enterprises whose services we are using. I knew that Mr. Hilles, and the Frank Presbry people, and of course I knew Mr. Ballantine, operated for us. What I had in mind was the connections of our directors with numerous institutions, such as drawn out by the statements which you asked us for, I would not have known.

MR. GESELL. So that you don't know whether or not you are or are not doing business with other of your directors.

MR. BUCKNER. I do if it is any direct business. If it is very indirect, such as an instance like the American Telephone & Telegraph, or the Western Union, I wouldn't know whether one of our directors was a director there or not.

MR. GESELL. I have no further questions of this witness at this time. (Mr. Frank assumed the Chair.)

MR. BUCKNER. Does that mean that I am excused, that I may go home?

MR. GESELL. Yes, sir; that is my understanding.

The next witness is Mr. Wilfred Kurth.

(Representative Williams assumed the Chair.)

Acting Chairman WILLIAMS. Do you solemnly swear the testimony you are about to give in the matter now pending will be the truth, the whole truth, and nothing but the truth, so help you God?

MR. KURTH. I do.

TESTIMONY OF WILFRED KURTH, CHAIRMAN OF THE BOARD OF DIRECTORS, HOME INSURANCE CO. OF NEW YORK, NEW YORK, N. Y.

SELECTION OF DIRECTORS—HOME INSURANCE CO.

Mr. GESELL. Will you state your full name, please, sir?

Mr. KURTH. Wilfred Kurth.

Mr. GESELL. With what company are you associated?

Mr. KURTH. Home Insurance Co. of New York.

Mr. GESELL. That is a fire-insurance company?

Mr. KURTH. Fire.

Mr. GESELL. What connection do you have with that company?

Mr. KURTH. Chairman of the board.

Mr. GESELL. How long have you been associated with it, Mr. Kurth?

Mr. KURTH. Thirty-eight years.

Will you tell us the practice of your company with respect to selection of its board of directors?

Mr. KURTH. Except for resignations or deaths or—I am speaking of my experience during my term as a director—there has been no change in the set-up. The directors originally serving when I was elected, except for deaths and resignations, are now serving.

Mr. GESELL. Well, can you tell us what factors have guided the company in the selection of the men who are on the board of directors?

Mr. KURTH. There are legal qualifications. The first is that a majority of the board must be residents of the State of New York. Then we have the charter provision that they must own 200 shares of stock in the company. The general requirement is that they must be representative citizens and must be of value to the company, either as producers of business or in the financial set-up.

Mr. GESELL. You say they must be of value to the company as producers of business?

Mr. KURTH. Yes.

Mr. GESELL. Will you elaborate that a little for me?

Mr. KURTH. We have what we call the service department which develops business on Nation-wide accounts. Every large fire-insurance account has usually a broker. Now the service department would be acquainted with whoever is the broker on that account. For instance, take the Woolworth account, the service department would know the name of that broker. If by soliciting the broker we are unable to get a portion of that business, then we check up with Woolworth directors and our own directors and see what contact we can form. You understand that that contact would enable us to solicit that business, not direct to the company, but through their broker or insurance agent.

We write no business except through insurance agents or brokers.

Mr. GESELL. Each company has some particular broker who handles its fire-insurance business?

Mr. KURTH. Broker or agent.

Mr. GESELL. Or agent. If you want to get the fire-insurance business say of A corporation or B corporation, and it is being given out by that agent or broker to some other company other than your own, you call upon your directors?

Mr. KURTH. No; we call on the agent first.

Mr. GESELL. Call upon the agent first. Let us assume you fail to get the business.

Mr. KURTH. Then we try to work out an interest through directors, a common interest. For instance, the brokers of one of the directors of a corporation might be a director of the National City Bank. Now we have a director of the National City Bank on our board and our service department would go through that director and see what contacts we could establish there.

Mr. GESELL. And you use your board of directors as a means of, through various interlocking connections, getting hold of business which you otherwise would not be able to get?

Mr. KURTH. Very much so.

Mr. GESELL. And you have a statistical department which keeps track of each man's connections and associations so that when you want to develop such a contact you have the material readily at hand?

Mr. KURTH. We keep the directorships, all of their directorships, pretty closely in hand all the time in the service department.

Mr. GESELL. And it is an important factor for you to have on your board men who have wide connections?

Mr. KURTH. Very important.

Mr. GESELL. Of the character we have talked about?

Mr. KURTH. (Nods head, yes.)

Mr. GESELL. Do you have on your board men who are connected with various life-insurance companies?

Mr. KURTH. We have three directors that I believe are directors of life-insurance companies.

Mr. GESELL. Who are they?

Mr. KURTH. There is Mr. McAneny and Mr. DeBost on the Metropolitan, and Mr. Mortimer N. Buckner on the New York Life Insurance Co.

Mr. GESELL. Previously, Mr. Duffield of the Prudential was on your board of directors, was he not?

Mr. KURTH. No; we tried to get him one time.

Mr. GESELL. Now have these directors that you have on your board been of help to you in getting business from those two life insurance companies for your company?

Mr. KURTH. I am sorry to say, no.

Mr. GESELL. Has it been the practice of your company to call upon them to try to get that business?

Mr. KURTH. Oh, yes. The service department keeps in contact with them. Every life-insurance company, for instance, is contacted by the service department; every bank, especially those we use as depositories—we use them in connection with getting contacts with business.

Mr. GESELL. Generally speaking, then, the limits of the operation of your company are somewhat determined by the interlocking nature of its connection through its board of directors?

Mr. KURTH. Well, not entirely so. We have 40,000 agents scattered all over the world and there is not a community in the United States where we do not have an agent. Then we have State agents, over 500 of them, located in each State; that is where the bulk of our business comes from. But for instance an agent—well, we will say a little town in Illinois finds there is a factory or a store that is owned in New York or Chicago or some of the other large cities. He writes to our service

department to see if we cannot get that insurance for him, or have it sent by the broker to him to be written up. So the service department follows up the ownership, the broker the solicitation of the broker. If that does not work out then we start on the list of directors to see what contacts or connections they have which would be of help, and we get the line sent to the local agent to be written up.

Mr. GESELL. How much do you pay your directors a year?

Mr. KURTH. Pay them \$4,000 a year. That started a little over 2 years ago.

Mr. GESELL. That is a flat salary?

Mr. KURTH. Flat salary.

Mr. GESELL. Is it the purpose of the service department to see that they earn it by getting you this business?

Mr. KURTH. Yes, we see to that, too. As a matter of fact, about the time I became president we began to realize that we had not developed through our directors possibilities in the way of getting business and we started about then and these calls became so great upon the directors that I finally suggested that we put them on a salary basis rather than a fee basis.

Mr. GESELL. So that the inconvenience that was caused by getting new business would be compensated for?

Mr. KURTH. They earned it.

Mr. GESELL. Well now what prompted you to institute this plan of paying your directors for getting business?

Mr. KURTH. Just as I say, we were calling upon them so frequently and they were really doing a lot of work and I don't think any ordinary fee pays a director that does his utmost in the interest of his company.

Mr. GESELL. Did you find that without calling upon these connections you were excluded from businesses because of other connections between other companies?

Mr. KURTH. Not so much that; it is surprising how—perhaps I should not say it; perhaps our competitors have not realized the advantage of using their directors, but it has been a very prolific source of income with us.

Mr. GESELL. Will you tell me a little more about the statistical department? Do they check up on the directors once a month?

Mr. KURTH. There is no record kept of it. For instance, the service department which is the one that uses them most, their interest lies in their total production for each month as compared with the same month of the previous year.

I don't believe they keep a dollar per dollar account against each director, but they have pretty general impressions as to who is the most valuable. Some are very active. Take the chairman of the finance committee and our oldest director in point of service; they are exceedingly valuable and active.

Mr. GESELL. Can you run down your list of directors for us and give us some idea how it worked out as a practical matter?

Mr. KURTH. We list our directors in length of service. Mr. Lewis L. Clark was former president of the American Exchange Bank, retired; he is a director of American Locomotive, Bowery Savings Bank, Commercial Cable, Equitable Fire, police fund, Home Insurance Co., Hudson & Manhattan Railroad, Indiana, Illinois Telephone, Kenzel Corporation; Mackay companies; Montana, Wyoming & Southern Railroad; Montreal Locomotive Works; New York &

Honduras Rosario Mining Co.; Norfolk Southern Railroad Co.; Postal Telegraph Cable Corporation; Prospect, Guthrie & Big Ben Telephone Co.; Shell Union Oil Co.; Swift & Co.; Worthington Pump & Machinery Corporation.

Mr. GESELL. Now taking that imposing list of his directorships, was he able to use those directorships to help your company? I would like to have specific instances to see how this works.

Mr. KURTH. Take the Bowery Savings Bank, like most savings banks they own a lot of real estate through foreclosure of mortgages. Well, it is through Mr. Clark that we finally got an entry into that account.

Mr. GESELL. And were able to write fire insurance on properties owned by the bank?

Mr. KURTH. Owned by the bank.

Mr. GESELL. Now will you give us another instance of the——

Mr. KURTH (interposing). The American Locomotive Works. It is only recently we had an insurance on one of their plants; I forget the location; they have them scattered pretty well. We found our policy had not been renewed; the service department checked it up and through Mr. Clark we had that policy reinstated. Very frequently Mr. Clark does not wait to be called upon. If he has a friend or an acquaintance—he is just boosting all the time.

Mr. GESELL. Now, can you give us some other instances that any of your members of the board of directors is an example where you have gotten an entree to business which you would not have received otherwise by reason of this interlocking relationship?

Mr. KURTH. Well, Mr. Charles G. Meyer is another one we call a booster. He is in the office at least three times, 3 days a week. We had the case of the Ritz Carlton Hotel; he is a director of that and the Ritz Carlton in Boston; we have the majority of the insurance on that, but that also comes through the fact that Mr. Robert Goelet is a director of our company; he is one of the owners. He is an alumnus of Columbia University and we found that the insurance on Columbia University was in British companies; that will be changed. He is a director of the Central Aguirre Association; that is a large sugar interest in Puerto Rico. He influenced that. They own——

Mr. GESELL (interposing). You say he influenced that; he got that business for you?

Mr. KURTH. That business transferred to us.

Mr. GESELL. From some other company?

Mr. KURTH. From some other company, the Cord-Meyer Co. They have I would say, 10 millions of real estate in New York City. That all comes to us.

Mr. GESELL. By reason of this?

Mr. KURTH. Yes.

Mr. GESELL. So that it is of real consequence to your company to get other board men who by reason of their varied connections and directorships in other companies can bring business to your company or take it away from someone else?

Mr. KURTH. Very pointedly.

Mr. GESELL. Your company is a proprietorship, is it not?

Mr. KURTH. It is a stock company.

Mr. GESELL. I have no further questions of this witness. Thank you very much.

(The witness, Mr. Kurth, was excused.)

Mr. GESELL. The next witness is Mr. Bottome.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BOTTOME. I do.

TESTIMONY OF HARRY BOTTOME, GENERAL COUNSEL, NEW YORK LIFE INSURANCE CO., NEW YORK CITY

NEW YORK LAW GOVERNING CONDUCT OF LIFE INSURANCE DIRECTORS

Mr. GESELL. Mr. Bottome, you are connected with the New York Life Insurance Co., are you not?

Mr. BOTTOME. I am.

Mr. GESELL. In what capacity?

Mr. BOTTOME. General counsel.

Mr. GESELL. How long have you been general counsel, approximately, sir?

Mr. BOTTOME. I have been general counsel twice; that is the reason I do not know.

Mr. GESELL. You have been in the legal department of the company for many years, have you not?

Mr. BOTTOME. I have been with the New York Life since 1893.

Mr. GESELL. Have you had occasion from time to time to consider section 36 of the New York law relating to the transactions which officers and directors may and may not have with their companies?¹

Mr. BOTTOME. Section 36; yes. The heading is a little uncertain, a little unfortunate.

Mr. GESELL. That is inviting officers and directors not to be pecuniarily interested in transactions?

Mr. BOTTOME. There is no such word as "transactions" used in the law itself.

Mr. GESELL. Am I correct in stating that in 1937 in connection with one specific problem which came up before your company relating to this section you stated [reading from "Exhibit No. 269"]:

It seems to me that the statute in question as it applies to life-insurance companies is a mere restatement of the general rule of law applying to those persons who fill fiduciary positions; that they shall not use them for their own benefit.

Mr. BOTTOME. Yes; except those ones which are specifically—let me get the phraseology in section 36.

Mr. GESELL. Section 36 is in the record.²

Mr. BOTTOME. That has to do with the participation in negotiating, procuring, or recommending or rating in any purchase or sale to such corporation.

Mr. GESELL. It prohibits certain specific types of transactions?

Mr. BOTTOME. Absolutely.

Mr. GESELL. But then your statement was interpreting that law that it had a broader application, was it not? That it was a restatement in effect of the common law and that it meant that no director shall use his position for his own benefit, is that not what you stated in that memorandum?

¹ See "Exhibit No. 259", supra, p. 1411.

² Ibid.

Mr. **BOTTOME**. Possibly, but I do not think it is correct.

Mr. **GESELL**. You mean that your memorandum of law submitted in 1937 you now feel is incorrect?

Mr. **BOTTOME**. What I was trying to drive at in that particular memorandum, which was addressed to one of our officers, Mr. Van Schaick, was whether the word "property" in section 36 of the Insurance Law would include an article such as "coal." Mr. Van Schaick had brought up the question as to whether the purchase of certain supplies like coal would be prohibited within the meaning of this section. I did not think this meant that type of property. I thought it meant property which might be considered an investment for the company. I do not consider inventory is an investment.

Mr. **GESELL**. Well, now I want to know two things. I do not think the record shows them. First, did you not advise Mr. Van Schaick in 1937 that your understanding of section 36 of the New York law was that no director shall use his position for his own benefit?

Mr. **BOTTOME**. To the disadvantage of the company; yes.

Mr. **GESELL**. Are the words "to the disadvantage of the company" in your memorandum anywhere?

Mr. **BOTTOME**. That, of course, I had in mind, because otherwise the memorandum would not have meant anything. I said we could buy coal or anything else from a company in which a director was interested, provided it was not to the disadvantage of the company in dealing with that company; that is what I intended to convey.

Mr. **GESELL**. Your memorandum to Mr. Van Schaick simply stated that your understanding of the law was that no director would use his position for his own benefit?

Mr. **BOTTOME**. Well, there is more to it than that. I think that is taking one section. I ended up with this—"Legally the company may purchase supplies from another corporation in which one of our directors is a stockholder, but every precaution should be taken to see that the proprieties are strictly observed by competitive bids or otherwise, and nothing shall be done or left undone to indicate or suggest that the corporation dealing with us secured any undue advantage by reason of the official relationship with this company."

Mr. **GESELL**. Well now in order that we can understand what you meant, what about this case of the Meenan Oil Co. which I discussed with Mr. Buckner a minute ago? There the files indicated that some business was sent back to the Meenan Oil Co. for revision of their bid to see if they could meet a lower price which had already been submitted by some other company. Do you consider that an observance of the proprieties within the meaning of that statute?

Mr. **BOTTOME**. Well, I am not very familiar with the method of letting bids but I have been informed by builders that they frequently ask for bids and if dissatisfied with the whole bids, ask someone of the bidders if he can meet a price below any one of the bids and they will give him the contract.

Mr. **GESELL**. And if that was done with a company where a director of your company was also a director you would feel that was within the proprieties of the situation?

Mr. **BOTTOME**. As long as the company received the supply of whatever it was, oil, at a figure not higher than the lowest bid, or possibly lower than the lowest bid.

Mr. GESELL. Then your interpretation of the law is that it is somewhat different than stated in that memorandum, that as long as the company is not harmed by such a transaction it is proper.

Mr. BOTTEME. That is what I intended to convey in my memorandum.

Mr. GESELL. Now, what was the specific question that came up that prompted the writing of that memorandum, which is exhibit 269? Who was the director? What was the company, and what was the nature of the dealing?

Mr. BOTTEME. I do not recollect; I do not think it was ever conveyed to me at all. My recollection of it was Mr. Van Schaick called me up on the telephone as to whether the purchase of coal—it may have been a memorandum from Mr. Van Schaick, I don't know.

Mr. GESELL. Whether you could purchase coal?

Mr. BOTTEME. The question was whether coal was properly within the meaning of section 36. Mr. Van Schaick happened to be a lawyer.

Mr. GESELL. You do not know the specific transaction that came up at that time?

Mr. BOTTEME. It would only be a surmise on my part. I have not any definite information. It might well have been a coal company; I don't know; I cannot testify of my own knowledge. Mr. Van Schaick would know.

Mr. GESELL. I would like to submit this memorandum of Mr. Bottome's to Mr. Van Schaick.

Acting Chairman KING. It will be received.

(The memorandum referred to was marked "Exhibit No. 269" and is included in the appendix on p. 1565).

Mr. Cox. Mr. Bottome, have you examined this memorandum Mr. Gesell was asking about a moment ago, the one dated October 11, relating to the Meenan Oil Co.? ¹

Mr. BOTTEME. Have I seen it?

Mr. Cox. Have you seen it?

Mr. BOTTEME. Yes, I have read that. I had no knowledge of it and it is the first time I have heard of it.

Mr. Cox. I wanted to make sure you had seen the text of this memorandum because the question I want to ask you is not a question based solely upon the fact but rather a question that calls for your opinion if you care to express one. You said a moment ago in this other memorandum which you hadn't seen, you expressed the opinion that any dealings with companies with which directors were interested, would be conducted with the strictest propriety, is that correct?

Mr. BOTTEME. Yes.

Mr. Cox. Just taking the memorandum you examined, the one dated October 11, 1937, with relation to the Meenan Oil Co., I call your attention—

Mr. BOTTEME (interposing). What is the date of that memorandum?

Mr. Cox. October 11, 1937, the one you just looked at.

Mr. BOTTEME. What is the date of my memorandum you just looked at?

Mr. Cox. That is the one of October 18, the one Mr. Gesell was asking about.

¹ See "Exhibit No. 263", appendix, p. 1562.

Acting Chairman KING. Do you mean there is any relation between the two?

Mr. COX. I asked if he had expressed the opinion in the second memorandum that the strictest propriety should be observed in dealing with the companies interested.

Mr. BOTTOME. When I wrote that opinion for Mr. Van Schaick, I had never seen that other memorandum.

Mr. COX. I understand, and I am not suggesting you had. I want to call your attention now to these two sentences in this memorandum which you just read [reading from exhibit No. 63]:

Their top price is 0.04285. We can contact Meenan and see if they will meet the price of 0.0404. If they will, we can direct the agent to give this additional contract to Meenan.

The question I should like to ask you now is whether, in your opinion, that kind of conduct suggested in that part of the memorandum is consistent with observing the strictest propriety.

Mr. BOTTOME. I am not at all familiar with the way contracts for such a thing as oil are let, but I have been informed—understand, this is from information so that I may be very much off—that the price mentioned there is what they call the selling price, that it shan't exceed that price, but they all agreed to deliver; I say all agreed to deliver—they agreed to deliver at another price which is the daily market price of oil. In other words, if the price of oil goes up beyond the maximum price, their contract is on that price. In other words, they protect the price. I have been informed of that. I don't know personally, myself. I have nothing whatever to do with the letting of contracts.

Mr. COX. I wanted to make it clear I am not trying to examine you about this transaction, because I assume from what you say you don't know anything about the facts, but let's take a hypothetical case. Suppose the company advertises for bids on oil. There are two bids, one by a company which is not connected in any way with your company, and the other by a company with which you have a common directorate. The bid of the first company is lower than the bid of the company with which you have the common directorate. Do you think that it is consistent with the strictest propriety to inform the second company that its bid is higher than what the lower bid was, and then to ask it whether it will meet the lower bid without giving the first company an opportunity to bid again?

Mr. BOTTOME. Wouldn't that apply equally well if the company wasn't in any way associated by directorship with ours?

Mr. COX. I think it would.

Mr. BOTTOME. I would say irrespective of whether there was a common directorate, the question of propriety would arise; but on the other hand, I understand it is the custom, not in the Government where they put out specifications and they agree to accept the lowest bid, but builders I understand, and other people are constantly doing this sort of thing—that is, I mean accepting bids and then deciding that the bids are too high anyway and going around to one of the men and asking for a lower bid.

Mr. GESELL. Then what has competitive bidding to do with the relationship of directors of the company? If competitive bids are not taken on their face value and used as the basis for handing out contracts, if they can be changed at the discretion of the person who

has the service to sell, what has competitive bidding to do with whether or not directors' connections with other companies are proper?

Mr. BOTTOME. It gives a pretty good line on business. If we get six men to submit a price and we get a man to agree to give us a contract for less, I think we would be rather foolish not to take it for less.

Mr. GESELL. You didn't try to get it lower. You offered it at the same price. The memorandum suggested that you offer to meet a price which was the lowest price bid.

Mr. BOTTOME. The purpose of this inquiry is to determine whether one who seeks bids has got to be bound by the lowest bid.

Mr. GESELL. The purpose of this inquiry is to determine whether competitive bidding is any criterion in judging the relations between a director and his company, if those bids are subject to revision and variation at the will of the company.

Mr. BOTTOME. Well, as far as I am concerned, I think if I was handling the bids, I would proceed along the line that I said I would—namely, I would ask for competitive bids, and I would take every precaution to see that in dealing with any company with which one of our Directors was associated, no undue profit would inure to that company to the disadvantage of the New York Life.

The VICE CHAIRMAN. Let me ask a question. Would you give the person not connected with your organization the same opportunity to lower his bid that you would give somebody connected with your corporation?

Mr. BOTTOME. You are asking me?

The VICE CHAIRMAN. Yes.

Mr. BOTTOME. I would say yes.

The VICE CHAIRMAN. Well, that is just your notion.

Mr. GESELL. Now the next question obviously, Mr. Bottome, is whether or not that was done in the New York Life Insurance Co.?

Mr. BOTTOME. As far as I know. I don't have anything to do with the bids, you know.

Mr. GESELL. Take a case like the Employer's Liability Assurance Corporation where the rate of the various types of insurance written is a standard rate met by all companies. How does the company determine within the proprieties of the situation that the bulk of its business should be given to this particular company with which it interlocks?

Mr. BOTTOME. Well, you are asking about something that I know about now. As a matter of fact, the Employer's Liability Co., the coverage they give us is under a blanket policy with automatic coverage, and that can only be handled in one company. You couldn't have automatic coverage in two companies. If we acquired a piece of real estate out in Spokane and we never knew we acquired it, we would be covered.

Mr. GESELL. Certainly, but this blanket coverage doesn't have to be given by the Employer's Liability Corporation. It could be given by X Y Z.

Mr. BOTTOME. Not necessarily because I don't think many—

Mr. GESELL (interposing). Why is the Employer's Liability Assurance Corporation selected here for this business?

Mr. BOTTOME. I don't know why they were selected originally. They have given us wonderfully good service, I know that. Some of the service we have had from other liability companies is not nearly so good. That was another matter.

Mr. GESELL. How would the proprieties of the situation be observed in a case like this?

Mr. BOTTOME. Well, as I understand it, the Employer's Liability Co. wrote some years ago the amount of public liability insurance we carried. At that time we only owned the Home Office Building, the Printing Building, and the Kansas City Building. That was in 1929, and since that time through certain vicissitudes which you are doubtless familiar with, we own a great deal more real estate and therefore our exposure is greater and we have to require a very much larger amount of coverage.

Mr. GESELL. I want to know this one question. In giving that additional coverage, do you know whether the company tried to see whether it could get the same coverage from someone else?

Mr. BOTTOME. I think they probably did. I am not sure of that. Of course, we get what is called a merit rating.

Mr. GESELL. That could be given to you by any company?

Mr. BOTTOME. Yes. Of course, that depends upon the character of the person insured, the corporation insured.

Mr. GESELL. I have no further questions.

Senator KING. I have none.

The VICE CHAIRMAN. The witness is excused.

Mr. GESELL. That is all of the witnesses today.

(The witness, Mr. Bottome, was excused.)

The VICE CHAIRMAN. The committee will stand adjourned until ten o'clock tomorrow. I am advised by counsel putting on this testimony that he hopes to be able to put on in the morning all the testimony he will be prepared tomorrow to present.

(Whereupon, at 4 p. m., a recess was taken until Thursday, February 16, 1939, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

THURSDAY, FEBRUARY 16, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:15 a. m., pursuant to adjournment on Wednesday, February 15, 1939, in the caucus room, Senate Office Building, Senator William H. King presiding.

Present: Senator King (acting chairman); Representative Reece; Messrs. Henderson, Arnold, O'Connell, Patterson, and Ferguson.

Present also: Mr. Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

Acting Chairman KING. The committee will be in order. Judge Summers has been detained. Who is the first witness this morning?

Mr. GESELL. Mr. Houston is the first witness this morning.

Acting Chairman KING. Mr. Houston, please come forward. Mr. Houston, hold up your right hand, please. Do you solemnly swear the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOUSTON. I do.

TESTIMONY OF DAVID FRANKLIN HOUSTON, PRESIDENT, MUTUAL LIFE INSURANCE CO. OF NEW YORK, NEW YORK, N. Y.

TRANSACTIONS INVOLVING INTERLOCKING DIRECTORS AND DIRECTORS' AFFILIATIONS—MUTUAL LIFE

Acting Chairman KING. You will state your name, please.

Mr. HOUSTON. My name is David Franklin Houston.

Mr. GESELL. You are president of the Mutual Life Insurance Co. of New York?

Mr. HOUSTON. That is correct.

Mr. GESELL. How long have you been president?

Mr. HOUSTON. About 11½ years—July 1927.

Mr. GESELL. Are you also a director of that company?

Mr. HOUSTON. I am—a trustee.

Mr. GESELL. How long have you been a trustee.

Mr. HOUSTON. I think I was elected in July 1927.

Mr. GESELL. How much insurance in force has your company at the present time?

Mr. HOUSTON. About \$3,787,000,000.

Mr. GESELL. What are the admitted assets of your company?

Mr. HOUSTON. At present, approximately \$1,399,000,000.

Mr. GESELL. Do you operate throughout the United States?

Mr. HOUSTON. Except in Texas.

Mr. GESELL. What type of insurance does your company write?

Mr. HOUSTON. Straight life, ordinary life insurance.

Mr. GESELL. Do you write group insurance?

Mr. HOUSTON. We do not.

Mr. GESELL. Do you write industrial insurance?

Mr. HOUSTON. No.

Mr. GESELL. How many trustees are there of the Mutual Life Insurance Co.?

Mr. HOUSTON. Thirty-six.

Mr. GESELL. They are elected—have been up to the present time—every other year?

Mr. HOUSTON. Every second year, in odd years.

Mr. GESELL. I should like to offer for the record a schedule which has been submitted to us by the company showing the names of the board of trustees of the Mutual Life Insurance Co. of New York, and the dates of their election.

Acting Chairman KING. It will be received.

(The schedule referred to was marked "Exhibit No. 270" and is included in the appendix on p. 1566.)

Mr. GESELL. We have also to offer for the record at this time a schedule of the business affiliations of the trustees of the Mutual Life Insurance Co. of New York.

Acting Chairman KING. Let it be received.

(The schedule referred to was marked "Exhibit No. 271" and is included in the appendix on p. 1567.)

Mr. GESELL. I might say that that schedule shows the directors of the Mutual Life Insurance Co., the trustees of that company, are also directors of 22 bank and trust companies, 31 insurance companies, principally fire and marine companies, 55 industrial corporations, 3 mercantile companies, 1 publishing company, 9 real estate ventures, 29 railroads, 1 steamship company, 1 air line company, 8 utilities, and 15 miscellaneous companies.

There is a trustee of your company by the name of Mr. John H. Ottley, is there not?

Mr. HOUSTON. John H. or John K?

Mr. GESELL. John K.

Mr. HOUSTON. Yes.

Mr. GESELL. He is president of the First National Bank of Atlanta, is he not?

Mr. HOUSTON. Yes.

Mr. GESELL. When was he elected trustee?

Mr. HOUSTON. In 1931, June 4.

Mr. GESELL. I want to ask you whether you recall receiving this letter from him, a letter being dated September 7, 1933, forwarding to you a copy of a letter which he had written to Mr. Turner, treasurer of your company, under same date, the letter to Mr. Turner stating [reading from "Exhibit No. 272"]:

In my conversation with President Houston I stated to him that the present business of the Mutual Life with this bank is satisfactory and is duly appreciated; however, I advised him that my desire to have the relationship broadened and increased is based on three propositions: First, that as I make my living as president of the First National my first interest is to build up its business; second, that as a trustee of the Mutual Life, which is an honor I appreciate, I want the full interest of my bank with its important sectional contacts in the company's southeastern activities. This I am sure you will agree I can properly expect

only as the size and value of the Mutual Life's business with us is at least on an equal footing with other accounts of similar companies; third, that I believe these purposes can be accomplished without costing your company anything.

The letter goes on, after discussion of banking arrangements to say [reading further from "Exhibit No. 272"]:

You will understand that in going into this great detail I have tried to point out practical arrangements whereby my desire as president of this bank and trustee of the Mutual Life, could be accomplished with advantage to each and disadvantage to no one.

Anything you can do for me in the matter will be greatly appreciated.

Do you recall that letter?

Mr. Houston. I do not.

(The vice chairman, Representative Sumners, assumed the Chair.)

Mr. GESELL. Do you recall whether as a result of that letter a deposit was made in Mr. Ottley's bank?

Mr. Houston. In the first place, when I first knew the situation there I think our account was in another bank which was a branch of the bank whose headquarters were outside of Atlanta, and it seemed to us that where we had an important agency, as we had in Atlanta, an important city, doing a considerable business, it would be preferable to have an account in a bank whose headquarters were in Atlanta. The change was made, I think, considerably before 1931 and a deposit was made in the Fourth National which was afterwards merged and became the First National, and subsequently the accounts were increased. The treasurer at the time when we were trying to find places where we could get some interest on deposits, made a time deposit in that bank of \$500,000, I think it was, on which they allowed use one-half of 1 percent, and most banks were not allowing anything.

Mr. GESELL. My question was, Mr. Houston, as a result of this letter, did your company make a deposit of \$500,000 in the bank?

Mr. Houston. I do not know. It may have been in spite of that letter.

Mr. GESELL. On September 16, 1933, approximately 9 days later, Mr. Ottley wrote you, did he not, and stated in part [reading from "Exhibit No. 272"]:

Today I had the great pleasure of receiving from Mr. Turner a check for \$500,000 for the establishing with us of a special 90-day time deposit account. I have written him direct how much I appreciate this further substantial evidence of friendship as well as the recognition on his part of the ability of my bank to serve our company in a more important way.

Mr. Houston. Well, he was correct as to the service; and he did take good care of the money and paid us interest on the account.

Senator KING. I suppose your company was interested, if you had funds and purposed depositing them in banks, to get banks that had prestige and standing and could be of some service to the community and to your organization.

Mr. Houston. Yes, Senator; especially where we felt that the money would be safe and, as has been intimated, where we could get something on the deposit.

Mr. GESELL. I would like to offer this correspondence in full for the record now.

(The correspondence referred to was marked "Exhibit No. 272" and is included in the appendix on p. 1571.)

Mr. GESELL. Mr. Houston, still considering the connection of Mr. Ottley's bank with your company, did you not receive— I would

like to read you a letter dated August 29, 1935, signed by Mr. Ottley, president, addressed to Mr. Turner, treasurer of your company [reading from "Exhibit No. 273"]:

It was my intention to visit you before the last meeting of the board of trustees of the Mutual Life Insurance Co. as I very much desired the opportunity of discussing with you and Mr. Houston using our bank to a larger extent for deposit of non-interest-bearing funds.

The letter goes on to say that he wishes to have additional deposits and ends up by saying [reading further]:

As stated before, I hope to have the pleasure of discussing this situation with you and Mr. Houston in person, but as there may be some further delay in the chances to do this, I am taking the liberty of asking your most careful consideration to this communication.

With kindest personal regards and best wishes to you and your associates.

Do you recall having ever seen that letter?

Mr. HOUSTON. I do not remember it.

Mr. GESELL. I wish to offer it for the record.

(The letter referred to was marked "Exhibit No. 273" and is included in the appendix on p. 1573.)

Mr. HOUSTON. In addition to that time deposit on which they paid us interest, I think there were deposits, as there would naturally be in Atlanta of nontime deposits because of the amount of business we do there; because of the strength and safety of that bank, irrespective of the fact whether the president of it was a trustee or not.

Mr. GESELL. Now, about 10 days later after that letter Mr. Turner wrote Mr. Ottley, stating [reading from "Exhibit No. 274"]:

I have your letter of August 29 and appreciate the difficulty sound banks have at the present time to invest their funds and secure an adequate return after covering the expenses of Federal insurance and overhead. * * *

I am enclosing check for \$250,000 to be credited to the company's special account with your bank. This will increase the balance to well over \$300,000. Of course, if times change and we should have an opportunity to invest our funds more closely than at present it may be necessary to draw down the balance for this purpose.

Did Mr. Turner discuss with you making this additional deposit with Mr. Ottley's bank?

Mr. HOUSTON. He usually does; I suppose he did in that case. I think really the account increased and I had no objection to having it increased; I would not have any objection to increasing it further.

Mr. GESELL. Do you know if the account would be increased because of the special request of Mr. Ottley, your trustee?

Mr. HOUSTON. Unless we had thought it was a wise and desirable thing to do we would not have done it because of Mr. Ottley's or anybody else's request.

Mr. GESELL. But, Mr. Houston, it does not answer my question.

Mr. HOUSTON. Yes; it does; it answers the spirit of it.

Mr. GESELL. My question was, did you know at the time you made this additional deposit that Mr. Ottley had made a specific request for it?

Mr. HOUSTON. I cannot answer that now. I do not remember, but it would not have made any difference with me one way or the other in deciding it.

Mr. GESELL. I wish to offer this letter for the record.

(The letter referred to was marked "Exhibit No. 274" and is included in the appendix on p. 1573.)

Mr. GESELL. Now, the next letter, less than a year later, Mr. Turner, treasurer of your company, writes Mr. Ottley on May 5, 1936:

Referring to our conversation of last Wednesday, I have arranged to increase the company's balance with your bank to say one million dollars, including the time deposit of \$500,000, so that the relation between current and time funds may be equal.

Do you recall anything with respect to why that additional deposit was made in Mr. Ottley's bank?

Mr. HOUSTON. No. I would have had no objection to increasing it on general principles.

The VICE CHAIRMAN. I presume you had to deposit your funds somewhere?

Mr. HOUSTON. We did; and we wanted a strong bank.

The VICE CHAIRMAN. And if a strong bank happened to be in a district in which your company had a good many policyholders, and was doing considerable business, that was to that degree advantageous?

Mr. HOUSTON. And we had no objection to having it in that section of the country.

Mr. GESELL. Now Mr. Ottley replied to Mr. Turner's letter on May 10, 1936:

MY DEAR MR. TURNER: It is highly gratifying to receive your letter of May 5 indicating your intention to place this bank in your million-dollar class. I wish to assure you of my appreciation of this compliment, and at the same time to tell you how good this news makes your trustee feel. Regarding the last paragraph of your letter I recognize of course that your first responsibility is to look after the interests of the Mutual Life and we always expect to do business with you on that basis.

Do you recall ever having seen that letter?

Mr. HOUSTON. No.

Mr. GESELL. May I ask you, Mr. Houston, whether it is the practice of your company to make deposits with banks which interlock with your company through directors who are anxious for those deposits?

Mr. HOUSTON. No, sir: not necessarily. We try to select banks—we have, of course, many banks throughout the country, especially where we have headquarters of agencies, and we try to select banks which we believe to be strong and sound, and which would withstand strain. One evidence of that is that during the depression I think the maximum amount that we had tied up for a time was about \$280,000, scattered throughout the United States.

Mr. GESELL. Now would you have made these non-interest-bearing deposits with Mr. Ottley's bank if he had not made a specific solicitation of your company for those deposits?

Mr. HOUSTON. In all probability. We were making them in different places. We had to put them somewhere.

Mr. GESELL. Do I understand from your statement that you had funds to deposit and if directors sought those funds for those banks and you felt the banks were sound, you were willing to make the deposits with them?

Mr. HOUSTON. We made them in banks where we did not have directors.

Mr. GESELL. That does not answer my question.

Mr. HOUSTON. I don't care whether it does or not. My disposition would be to do it, rather in spite of the fact the trustee is an officer of the bank.

Mr. GESELL. I would like an answer to my question, whether you care to answer it, sir. My question was if a director or trustee of your company is connected with a bank and solicits the deposit of your company, and you feel that bank is sound, is it your practice to make the deposit?

Mr. HOUSTON. I would not say it is our practice. We might make the deposit.

The VICE CHAIRMAN. And have you made deposits in banks where those connections with the banks were not trustees?

Mr. HOUSTON. We have.

The VICE CHAIRMAN. How many banks throughout the United States have you utilized for deposits?

Mr. HOUSTON. I cannot give you the number, Senator, off-hand; I should say we have about one hundred and twenty-two odd accounts with some duplicates, agency accounts, or company accounts. Probably about 95 banks.

Mr. ARNOLD. If there were two banks, one in the situation of the bank in Atlanta where the director was writing you suggesting that his connection entitled him to some consideration, and the other bank which had no connection with you, suppose the banks were equally sound, you would be moved in selecting your bank by the connection with directors, would you not?

Mr. HOUSTON. If we already had an account in the other bank we probably would not change it.

Mr. ARNOLD. But on the question of new business, you would be very much moved of course by the fact that the gentleman soliciting the business was a director, would you not?

Mr. HOUSTON. To this extent, that I think it would be in the interest of the company in all probability to have an account in a bank whose head, or one of whose chief officers was one of our trustees; I think he would be inclined to look after it better for us.

Mr. GESELL. Which comes first, Mr. Houston? Do you choose your bank and then take your trustee, or do you take your trustee and let him choose the bank?

Mr. HOUSTON. We do not let the trustee choose any bank.

Mr. GESELL. Now may I call your attention to another instance in this matter? Mr. Stanley Field was until very recently a member of your board of trustees, was he not?

Mr. HOUSTON. He was for a while.

Mr. GESELL. He was connected with the Continental Illinois Bank in Chicago, was he not?

Mr. HOUSTON. I do not recall.

Mr. GESELL. Well now I call to your attention a letter signed by him, dated September 13, 1933, saying [reading from "Exhibit No. 275"]:

The Mutual Life Insurance Co. has about five accounts with the Continental-Illinois National Bank & Trust Co. of Chicago, with balances averaging around \$200,000, and one of which is termed the home office account, amounting to \$44,000. The others are agency accounts. These accounts are very much appreciated but in view of the very large balances which I notice you carry in various New York banks, I am wondering if you would not be disposed to carry a larger amount of the home-office account with the Continental-Illinois National Bank & Trust Co. of Chicago?

The bank has private wire connections with New York and can make immediate transfer of funds,

And so forth. You recall receiving that letter, Mr. Houston?

MR. HOUSTON. I probably received it; I do not remember now about it.

MR. GESELL. Now this letter was written on September 13. On September 20 your treasurer, Mr. Turner, wrote Mr. Field saying that you had referred the letter to him and completed his letter with this paragraph [reading from "Exhibit No. 275"]:

I am arranging to increase the balance in our home office account with your bank. If you will kindly have analysis of our other accounts made, and it is found that the balances maintained are inadequate, I should be glad to raise them to the necessary level.

Mr. Field replied to Mr. Turner on September 22 [reading further from "Exhibit No. 275"]:

I thank you for your letter of September 20, being an answer to a letter which I wrote President Houston with reference to the deposits of the Mutual Life Insurance Co. of New York with the Continental-Illinois National Bank & Trust Co.

I am advised that the agency accounts are maintained on a satisfactory and profitable basis, and that what the bank was anxious to obtain was a larger deposit of the home office account. They were very grateful, therefore, when I reported to them the contents of your letter, and I wish to express my personal appreciation of the action which you are taking to increase this deposit with the Continental-Illinois National Bank & Trust Co.

I wish to offer this correspondence for the record.

(Senator King assumed the Chair.)

Acting Chairman KING. It may be received.

(The correspondence referred to was marked "Exhibit No. 275" and is included in the appendix on p. 1574.)

MR. GESELL. Now may I ask you again, Mr. Houston, if you had not received this specific request from Mr. Field to make a deposit in that bank, would you have made that deposit?

MR. HOUSTON. We might have, and if the bank itself had written to us we might have made it.

MR. GESELL. And the fact that the letter was from Mr. Field, one of your trustees, had nothing to do with the matter?

MR. HOUSTON. Not especially.

MR. GESELL. Would you have given as prompt consideration?

MR. HOUSTON. I would have.

MR. GESELL. In the case of each of these two instances, was any time taken to make a thorough analysis of the bank's condition to determine whether or not it was a safe bank for the deposit?

MR. HOUSTON. We knew it was, and I knew it was a relatively small account for such a bank and considering our cash balance.

MR. GESELL. Now, Mr. Sloan Colt is one of your trustees, is he not?

MR. HOUSTON. He is.

MR. GESELL. Mr. Colt is connected with the Bank of New York & Trust Co., is he not?

MR. HOUSTON. Bankers Trust Co. of New York.

MR. GESELL. With the Bankers Trust Co. of New York.

Mr. Colt was nominated for trustee of your company on May 27, 1931, and elected on June 4, 1931, was he not?

MR. HOUSTON. June 4.

Mr. GESELL. He is a member of the finance committee of your company?

Mr. HOUSTON. He is now.

Mr. GESELL. Was he a member at that time?

Mr. HOUSTON. No, not at that time.

Mr. GESELL. Do you recall receiving this letter from him on December 16, 1932, after he had become a trustee of your company [reading from "Exhibit No. 276"]:

I want to drop you this line to repeat the expression of appreciation which I made at the finance committee meeting in connection with the opening of the account of the Mutual Life Insurance Co. with Bankers Trust Co.

I personally am delighted to feel that we are to have the responsibility of safeguarding some of your funds and all of us here are very pleased at the thought of a closer association between us. I am sure you know that I will do anything I can to make this association agreeable and profitable.]

Do you recall receiving that letter?

Mr. HOUSTON. I do not recall it. I have no doubt I received it, and I was very glad to have a deposit in the Bankers Trust Co. It is one of the best and finest in New York City, and there is no finer man that I know of in New York City than Mr. Colt.

Acting Chairman KING. I assume that your company has a large amount of cash from time to time which it must invest, or failing to invest promptly, it has to carry the same in banks throughout the United States.

Mr. HOUSTON. Especially in these days, Senator, when it is very difficult to find suitable investments. We have to put the money somewhere, and we are glad to have the money in banks like the Bankers Trust Co. or the New York Bank & Trust Co. and others.

(The vice chairman, Representative Sumners, resumed the Chair.)

Senator KING. I understood you to say that you had deposits in 89 banks.

Mr. HOUSTON. That is throughout the country.

Senator KING. I mean throughout the country. Now, you mean to accept banks of strength and character, so in the event of any depression, decline in values, you may feel the funds of which you are the custodians may be safely guarded and protected.

Mr. HOUSTON. That is very true, and as I intimated a moment ago, I think that the evidence of the care is the fact that during the depth of the depression the amount of money we had in suspense and in suspended banks was negligible, practically.

Mr. GESELL. The thing that interests me, Mr. Houston, is that in 1928 the balance of your company with Bankers Trust Co. was a little in excess of \$31,000; in 1929 a little in excess of \$30,000; in 1930 a little in excess of \$26,000; in 1931 a little in excess of \$150,000, and then immediately after Mr. Colt becomes a trustee of your company, the balance jumps to over \$1,500,000.

Mr. HOUSTON. Yes.

Mr. GESELL. Is there any connection between the fact that Mr. Colt becomes a trustee of your company and a member of your finance committee and this large deposit of \$1,000,000 is made in this particular bank?

Mr. HOUSTON. Not necessarily. I am rather surprised that it isn't larger, in view of the strength of the Trust Co. and the service it renders.

Mr. O'CONNELL. May I ask a question? I have had a little difficulty in following the answers to the questions, because it doesn't seem to me that the questions asked by the examiner were intended to bring out anything particularly about the strength or weakness of a particular bank, but rather to investigate an entirely different question, that is the relationship between your bank or your insurance company and a bank upon which one of your trustees was also a member of the board. Do I understand you to mean that these instances which have been brought out where it was a matter of coincidence—you have said several times, "Not necessarily," for instance, when the deposit was substantially increased. You mean that your action was not influenced, or that it was?

Mr. HOUSTON. What I meant to say was that it was not entirely improbable that if Mr. Colt had never become a member of the board, we might have a deposit, and a large deposit, in the bank, because I have confidence in his bank and it is one which I believe would take good care of the funds, and as I said before in answer to a similar question, I think it is some advantage to have an account in a bank, one of whose responsible officers is a trustee of your company.

Mr. O'CONNELL. Then you mean you were influenced by the fact?

Mr. HOUSTON. Other things being equal, I certainly would have no objection to it.

Mr. O'CONNELL. I gathered from your last answer that you do mean that you were influenced by his membership on your board and on the board of directors of the bank.

Mr. HOUSTON. We would not make a deposit in a bank simply because we happened to have a trustee who is connected with that bank.

Mr. O'CONNELL. I understand that, but I did understand you to say that you were influenced by the fact that he was a member of your board. You said it was to your advantage.

Mr. HOUSTON. Yes.

Mr. O'CONNELL. Which I understood you to say influenced you. Thank you.

Mr. GESELL. I should like to offer for the record the letter from Mr. Colt to which the witness referred a moment ago.

The VICE CHAIRMAN. It may be admitted.

(The letter referred to was marked "Exhibit No. 276" and is included in the appendix on p. 1575.)

Mr. GESELL. Mr. Houston. I have before me a schedule, certified to by the treasurer of your company, showing the highest bank balances and the rate of interest paid on various deposits of your company with banks, certain banks, for the years 1928 to 1938 inclusive.¹ This schedule shows all deposits in banks with which your company is connected through interlocking directorships, and also shows the lack of deposits in certain banks with which your company is also similarly connected.

I want to ask you, having this same problem in mind, whether it is not a fact that you have had on deposit with the National City Bank at the close of 1938 over \$11,000,000?

Mr. HAUGHTON BELL. Isn't that the highest bank balance?

Mr. GESELL. Yes, the highest during the year 1938 was over \$11,000,000.

¹ See "Exhibit No. 277", appendix, p. 1576.

Mr. HOUSTON. At 1938 it seems to have been seven and three-tenths, four-tenths nearly. It was higher than that in other years apparently.

Mr. GESELL. My record would show that it was in excess of \$11,000,000.

Mr. HOUSTON. The National City Bank, that is correct.

Mr. GESELL. Mr. Perkins, a trustee of your company, is connected with that bank, is he not?

Mr. HOUSTON. He is.

Mr. GESELL. You have a deposit with the Central Hanover Bank & Trust Co. in excess of \$2,000,000—in excess of \$3,000,000?

Mr. BELL. That is the highest balance again, isn't it?

Mr. GESELL. Yes.

Mr. HOUSTON. That seems to be correct.

Mr. GESELL. Mr. Cornelius Vanderbilt, a trustee of your company, is also associated with your bank?

Mr. HOUSTON. General Vanderbilt has been ill for sometime.

Mr. GESELL. For how long was he ill, sir?

Mr. HOUSTON. I have forgotten.

Mr. PATTERSON. You mean Gen. Cornelius Vanderbilt?

Mr. HOUSTON. He retired from our board. He was very ill for a long time.

Mr. GESELL. Do you know when he retired, sir?

Mr. HOUSTON. I do not know whether I have the date.

Mr. GESELL. Isn't it correct that he retired in October 1938?

Mr. HOUSTON. I think so.

Mr. GESELL. Your highest bank balance with that bank, with the Central Hanover Bank, in 1938 was in excess of \$3,000,000, was it not?

Mr. HOUSTON. Apparently.

Mr. GESELL. You have deposits in the First National Bank, have you not?

Mr. HOUSTON. We have.

Mr. GESELL. Mr. Myron C. Taylor, a trustee of your company, is connected with that bank?

Mr. HOUSTON. And the president of it is a trustee.

Mr. GESELL. Who is he?

Mr. HOUSTON. Mr. Leon Fraser.

Mr. GESELL. You have deposits with the Bank of New York Trust Co., have you not?

Mr. HOUSTON. We have.

Mr. GESELL. Mr. Choate and Mr. Traphagan and Mr. Colt your trustees, are all connected with that bank?

Mr. HOUSTON. They are.

Mr. GESELL. You have a deposit, a small deposit, of \$50,000 or in that neighborhood with Citizens Union National Bank, have you not?

Mr. HOUSTON. I do not remember. Oh, yes, in Louisville, you mean.

Mr. GESELL. Yes.

Mr. HOUSTON. Yes.

Mr. GESELL. And Mr. Bullitt, your trustee, is connected with that bank, is he not?

Mr. HOUSTON. I do not know. That is all right, perhaps he is.

Mr. GESELL. I will come back to that in a moment. You have large deposits with the Guaranty Trust Co., have you not?

Mr. HOUSTON. We have.

Mr. GESELL. Those deposits during the period covered by this schedule have been as high as \$23,483,000, have they not?

Mr. HOUSTON. They did run up to that apparently for a time in '37.

Mr. GESELL. There are five trustees of your company connected with that bank, are there not?

Mr. HOUSTON. There are.

Mr. GESELL. You have the greatest amount of money in that bank?

Mr. HOUSTON. We have.

Mr. GESELL. Do you still wish me to understand that the deposits in these banks are entirely a matter of coincidence?

Mr. HOUSTON. It is a matter of service that we require from the bank and we regard it as safe. These balances that you speak of don't exist in normal times. Ordinarily we wouldn't have on hand anything like the amount of cash that we have at present. We would have it invested up to 10 millions of dollars or some such a matter. We frequently make very large purchases of securities when we can get them and we use the balances in these large banks instead of having to make the additional deposit.

Mr. GESELL. Yes; my question is, though, are not these large bank deposits made because of the connection between your company and that particular bank?

Mr. HOUSTON. I shouldn't say that. The fact that these men are members of both are in a way an advantage, but I should say that we would have had very large accounts if there was not a single officer on the board. The same thing is true of several other banks.

Mr. GESELL. What same thing is true, sir?

Mr. HOUSTON. Well, you mentioned the National City, where we have a very large amount, and the First National and the Bankers Trust Co. We have to put our money somewhere and we need a great deal of it in New York City for the large purchases we make from time to time.

Mr. ARNOLD. There is a tone in some of these letters of expectation on the part of persons who are directors, or trustees, of your company that by virtue of that position they will get certain advantages by way of deposits. I recall one letter in particular which was read. You don't do anything to discourage those expectations, do you?

Mr. HOUSTON. Well, I don't say except that we will or will not make the deposit according to the needs of the company.

Mr. GESELL. Do you recall any instances where your company has refused to make such a deposit where a director has solicited one in the manner we have been reviewing here?

Mr. HOUSTON. I don't remember any.

Mr. GESELL. These deposits are very profitable to the banks, are they not?

Mr. HOUSTON. In these days, not as in normal times.

Mr. GESELL. You mean it is no advantage to the bank to have \$23,000,000?

Mr. HOUSTON. Not as in normal times. Well, we do not often have \$23,000,000 on deposit in a bank.

Mr. GESELL. Well, that is not answering my question.

Mr. HOUSTON. Some of your questions are difficult to answer, but banks do not get very much on loans in these days and have trouble in getting their funds out.

Mr. GESELL. Do I understand you to say that it is no advantage to a bank to have on deposit \$23,000,000?

Mr. HOUSTON. No; I would not say that it is no advantage.

Mr. GESELL. The fact that these trustees have solicited deposits of your company would indicate there is some advantage in receiving it, would it not?

Mr. HOUSTON. That is correct, and I should very much prefer that they wouldn't solicit them.

Mr. GESELL. It would be an easy thing to discourage by not giving in to their solicitation each time it is made.

Mr. HOUSTON. But sometimes we want the accounts in their banks.

Mr. GESELL. I would like to offer for the record this schedule statement showing the bank balances in the various banks we have been discussing for the period from 1928 to 1938, inclusive.

(The schedule referred to was marked "Exhibit No. 277" and is included in the appendix on p. 1576.)

Mr. GESELL. There is just one deposit that we didn't discuss on that schedule, a deposit in excess of \$2,000,000 with the Chase National Bank, or equal to \$2,000,000, in the Chase National Bank. Are you familiar with any facts or circumstances surrounding that particular deposit, Mr. Houston?

Mr. HOUSTON. No.

Mr. GESELL. Were you solicited to make that deposit by any of your trustees?

Mr. HOUSTON. There may have been a suggestion. If there was, I don't remember the incident, or what it was.

Mr. GESELL. Mr. Cornelius Vanderbilt was connected with the Chase bank, was he not?

Mr. HOUSTON. I think he was.

Mr. GESELL. Did he solicit that account?

Mr. HOUSTON. I do not remember.

Mr. GESELL. May I read you a paragraph to refresh your recollection from a memorandum from the files of the Chase Bank:

Mr. Cornelius Vanderbilt, our director, is a trustee of the company, and Mr. Frank L. Polk, until recently one of our directors, is also a trustee. Mr. Vanderbilt has had the question of opening up an account with Mr. Houston, president of the company. He promised to keep Chase in mind. More recently the company has been solicited by Mr. Vanderpool through Mr. Turner, treasurer.

Does that refresh your recollection with respect to the account.

Mr. HOUSTON. I think that is correct.

Mr. GESELL. Was the deposit in the Chase made because of the solicitation of your trustee, Mr. Vanderbilt?

Mr. HOUSTON. Not necessarily. We had, as I recall it, no deposit in the Chase. It is just across the street from us, one of the biggest in the city, and it seemed to me not unnatural that we should have a deposit there.

Mr. GESELL. It seemed surprising to me that you did not think of Chase.

Mr. HOUSTON. A lot of these things happen; you do not always think of everything.

Mr. GESELL. It is a little hard to forget the Chase Bank across the street.

Mr. HOUSTON. I would not have remembered necessarily whether we had an account there or not, and I would have had no objection to General Vanderbilt asking us if we cared to open an account there.

Mr. GESELL. It is safe to say, is it not, from the facts that we have been reviewing, that the allocation of funds of your company which you have available for deposit with various banking institutions is made primarily as a sort of banking patronage because of the solicitation of your trustees?

Mr. HOUSTON. No. If we had not a single trustee on a single bank in New York City we would have the money in those banks as we have today.

Mr. GESELL. You would have deposits in the same banks in the same amounts?

Mr. HOUSTON. I cannot say that, but I mean large deposits, because they are strong banks and we have to put our money somewhere.

Mr. GESELL. Well now, may I ask you, for the benefit of the committee, if you have anything further you wish to say with respect to this matter of banking deposits which I may not have covered?

Mr. HOUSTON. I do not know of anything, except that I am sure that none of these gentlemen were trying to do anything underhand or untoward. They are men of character and standing.

Mr. GESELL. May I ask you whether, apart from the banking phase of this matter, you have business relations with companies in which your trustees are connected?

Mr. HOUSTON. I do not recall any.

Mr. GESELL. Do you recall whether or not the trustees of your company interested in one or another business have solicited your company for that business in the same manner as these bankers have solicited you for the banking patronage?

Mr. HOUSTON. I do not recall. Some may have done so, but I do not recall any instances.

Mr. GESELL. May I read you this letter? By the way, Mr. James M. Beck was a trustee of your company, was he not?

Mr. HOUSTON. He was.

Mr. GESELL. A letter addressed to you dated October 19, 1931. [Reading from "Exhibit No. 278"]:

You were good enough at my suggestion to instruct the treasurer of the Mutual Life to send some business to my brother-in-law, Howard E. Mitchell, of Abbott, Hoppin & Co., and I understand that he has always attended to his commissions satisfactorily.

At present he is not having an easy time in bringing sufficient business to that brokerage house to justify his continuance and this is a matter of great concern to me. If he can just round this bad corner until times improve, he will have plenty of business, for he is a man of great energy and resourcefulness. Therefore, if at this time you could have our treasurer drift a little business toward Mitchell, it would come as a very timely aid to him.

Of course he can buy and sell bonds on the stock exchange, as well as stocks, and I do hope that you can give him some encouragement at a time when he very sorely needs it. I will regard it as a favor done to me.

Does that refresh your recollection with respect to this matter?

Mr. HOUSTON. I think so.

Mr. GESELL. Now, in 1932 your company gave business to Abbott, Hoppin & Co., did it not?

Mr. HOUSTON. I do not know anything about Abbott, Hoppin & Co.

Mr. GESELL. I show you that schedule and ask you if that does not refresh your recollection.

Mr. HOUSTON. No, I never saw that.

Mr. GESELL. That is a schedule certified to by your Treasurer entitled [reading from "Exhibit No. 278"]:

Memo of the amounts involved in the acquisition and disposition of securities to Abbott, Hoppin & Co. for years 1924-38, inclusive—

and shows no business until 1931. On the acquired side in 1931, \$97,090; on the disposed-of side, \$308,271.45; and in 1932, on the acquired side, \$10,675.00, and no business after that date.

Mr. HOUSTON. It is very possible that I called attention to this gentleman who wanted to sell some securities or buy securities to our financial people, and that they let him sell some securities, but only on the merits of the case.

Mr. GESELL. Mr. Beck's letter states:

You were good enough at my suggestion to instruct the Treasurer of the Mutual Life to send some business to my brother-in-law.

Mr. HOUSTON. That is incorrect.

Mr. GESELL. I wish to offer this correspondence for the record.

(This correspondence referred to was marked "Exhibit No. 278" and is included in the appendix on p. 1578.)

Mr. HOUSTON. I did not instruct the Treasurer to do anything of the kind.

Mr. GESELL. Mr. Frank L. Polk, of the firm of Davis Polk Wardwell Gardner & Reed, is a trustee of your company, is he not?

Mr. HOUSTON. I am glad to say that he is.

Mr. GESELL. Prior to the time Mr. Polk became a trustee, a loan of \$90,000 at 6 percent for 5 years was made to him on a house in which he is interested. Is that not a fact?

Mr. HOUSTON. Which he occupies.

Mr. GESELL. The loan was made to him, was it not?

Mr. HOUSTON. Yes.

Mr. GESELL. Subsequent to that time he became a trustee, did he not?

Mr. HOUSTON. He did.

Mr. GESELL. He became a member of the real estate committee?

Mr. HOUSTON. He did.

Mr. GESELL. He became a member of a subcommittee of that real estate committee?

Mr. HOUSTON. He did.

Mr. GESELL. Is it not a fact that the question of rearrangement of this loan came before that subcommittee on one occasion?

Mr. HOUSTON. It first, as I recall if from the records, came before the committee itself.

Mr. GESELL. Will you tell us the facts with respect to how this loan was handled and what Mr. Polk's participation, if any, was?

Mr. HOUSTON. Mr. Polk did not vote at any time on any of these matters, and in '34 the committee authorized the loan to continue open until '35, Mr. Polk not voting.

Mr. GESELL. Was that done by the full committee or was that done by the small committee of two men?

Mr. HOUSTON. That was done by the full committee and then, in 1936, the case was before the subcommittee.

Mr. GESELL. The subcommittee of two individuals, of which Mr. Polk was one member. That committee met, and with Mr. Polk not voting, reached a decision to change the loan to an open loan. Is that correct?

Mr. HOUSTON. That is correct, and then the full committee, with the payment of \$15,000, reducing the mortgage to \$75,000, authorized it to continue open at 5 percent.

Mr. GESELL. Mr. Polk was not present on that occasion, was he?

Mr. HOUSTON. He was absent.

Then later the subcommittee authorized it to continue open at 5 percent.

Mr. GESELL. Was Mr. Polk present at that meeting of the subcommittee of two men?

Mr. HOUSTON. Not voting; yes. Mr. Polk, as you know, is one of the finest gentlemen I know. Under-Secretary of State at one time and one of the best public servants the Nation has had. My only regret is that we have not more loans of that quality.

Mr. PATTERSON. With reference to Mr. Polk, I subscribe to everything you have said. I want that on the record.

Mr. GESELL. I was not trying to suggest that Mr. Polk is not an honorable gentleman, Mr. Houston. I was simply trying to understand whether your company had felt that in this situation it might not be advisable for the matter of the disposition of his loan to be given a fuller consideration before more members of the board than for Mr. Polk to meet simply with another gentleman on a subcommittee of two and not participate in the decision.

Mr. HOUSTON. Those things are all finally considered by the whole board and approved by it. Mr. Polk at any time could easily have transferred that loan to some other company at a lower rate of interest, and could do so now, but it certainly would not be in the interest of the policyholders to have him transfer a good loan like that, paying us 5 percent.

Mr. GESELL. I have no further questions of this witness.

Mr. O'CONNELL. I should like to ask a general question. Going back to the discussion we had a little while ago about banks, in general who determines for the company the way that the deposits are made? Is it determined by the management, by the board of trustees, by a subcommittee, or in what way?

Mr. HOUSTON. You mean the deposits in banks?

Mr. O'CONNELL. Yes.

Mr. HOUSTON. The treasurer has the matter immediately in hand, and then the finance committee considers the matter. Not infrequently, if there is any question which he thinks I ought to be informed about, the treasurer consults me. Broadly speaking, our desire is to keep our money where it is needed and in the soundest institutions which we can discover. That is our general principle.

Mr. O'CONNELL. I understand that, but what I was interested in was whether the decision in the final analysis was made by the management or the board of trustees or some of the board of trustees on such questions as making a deposit of a million dollars in this bank or that bank.

Mr. HOUSTON. These matters are all dealt with immediately. The committees and board fix maximum deposits in certain cases, and they are presented from time to time to the proper committee and then to the Board.

Mr. O'CONNELL. You don't think that there is anything inconsistent, or anything anomalous, let me say, about the position of some of your board of directors where there are so many members of your

board who are connected with banks, and at the same time as representing your company have to make the determinations of general policy, in specific cases making deposits as between their bank and some other bank.

Mr. HOUSTON. I do not think so. We certainly have not suffered any handicaps.

Mr. O'CONNELL. That wasn't the question.

Mr. HOUSTON. And I don't think there is any inconsistency. There is certainly no ontoward motive and it gives us a fuller knowledge of such things.

Mr. O'CONNELL. You don't think tl at a particular member of your board of trustees might be torn between, let us say, two loyalties? I mean, he represents your company and also a bank, and the question if he is to determine as to whether your company will make a specific deposit in a bank—it just occurred to me in general that there was at least the possibility that a member of your board or several members of the board might find it difficult to act entirely in accordance with the interests of your policyholders. You don't think there is any such possibility? I am not thinking of any particular case but as a general proposition.

Mr. HOUSTON. I do not see anything that is unsatisfactory in the picture.

Mr. ARNOLD. There are at least two conflicting interests represented by a man who is a director of a bank and a director of an insurance company with respect to deposits, aren't there? He might not use it improperly, but those interests do exist, don't they?

Mr. HOUSTON. I do not know that they conflict materially.

Mr. ARNOLD. They may not, but let's assume a purely hypothetical situation. Suppose that it was very important for this bank to bolster itself up and keep your deposit. The director representing the bank, and thinking it is going to pull out all right, would certainly be moved by very strong impulse to vote to keep the deposit in the bank, wouldn't he?

Mr. HOUSTON. If he had any suspicion of such a bank, no matter how many trustees might be on the board from that bank, we would not hesitate immediately to withdraw the deposit.

Mr. ARNOLD. No doubt, but I am speaking about the conflicting interests of the particular director. There certainly would be in that case two conflicting interests which would move him, wouldn't there?

Mr. HOUSTON. There might be a disposition on his part.

Mr. ARNOLD. But in that particular case, which has not been brought out in evidence, and in a purely hypothetical case, there would be an actual conflict of interests, wouldn't there?

Mr. HOUSTON. Yes.

Mr. ARNOLD. And therefore you would say—and I am not making this question by way of criticism—that there was at least a possibility of interested voting where you had a number of your directors representing banks at the same time.

Mr. HOUSTON. A number of our directors who are also trustees of banks?

Mr. ARNOLD. And I am speaking only in terms of possibility.

Mr. HOUSTON. The trustees, where there are several on banks, would be among the first to suggest that we withdraw the deposits.

Mr. ARNOLD. They might lean over backwards.

Mr. HOUSTON. I know the men, I know that they are men of intelligence and that they are gentlemen. They would be the first to suggest that we get out.

Mr. ARNOLD. I wasn't attempting to raise the question of the character of those men in any event, but only to clarify what seems to me to be a fact, that conflicting interests do exist.

Mr. HOUSTON. I do not think that the danger of conflict is very great.

Mr. ARNOLD. It may not be very great, that is a matter of opinion, but they do exist, don't they?

Mr. HOUSTON. And certainly we haven't suffered any from it.

Mr. ARNOLD. I wasn't raising that question. I was speaking simply for the benefit of the committee, for future consideration, getting your opinion.

Mr. HOUSTON. Well, I am trying to express the opinion that in no case have we found any impediment to the operations of the company, or any impairment of its resources or deposits, and I have to judge by experience.

Representative REECE. What is the responsibility of the directors of the company?

Mr. HOUSTON. They have complete control of it.

Representative REECE. The interests of the directors, then, should first be to conserve and advance the interests of the company—

Mr. HOUSTON (interposing). Of the policyholders.

Representative REECE. In the case of an insurance company, of the policyholders.

Mr. HOUSTON. Yes.

Representative REECE. Then the interests of the directors of a bank, of course, or the responsibility of the director of a bank is to advance the interests of the bank, or the responsibility of a director of an industrial concern is to advance the interests of that concern. In case a man is a director of both the bank and of an insurance company, if the two companies have interrelationship, there might be no conflict in his responsibility, but on the other hand, it is possible that there might be a conflict and put him in a position where he would have to decide which institution should have its interests first advanced. Or do you think there is a possibility of that situation arising?

Mr. HOUSTON. There might be, in which case I think the trustee would resign from one or the other. I certainly should, if I were aware of a conflict of consequence.

Representative REECE. I think so, and I would assume that a director would not do so.

Mr. HOUSTON. I do not know any member of our Board where any real conflicts of interest developed or persisted, who would not tender his resignation from one or the other.

Mr. ARNOLD. Which would he resign from? He is put in a very uncomfortable position, isn't he?

Mr. HOUSTON. Certainly.

Mr. ARNOLD. And in general you would say directors shouldn't represent conflicting interests, wouldn't you?

Mr. HOUSTON. If real conflicts of interest exist.

Mr. ARNOLD. Or they shouldn't put themselves in situations which might in the future lead to conflicts of interest.

Mr. HOUSTON. That might be the case. We have not been troubled by any conflict to date.

Mr. ARNOLD. May I ask you questions on a slightly different line, and I wish you would please understand that these are not questions directed in any way to criticism of past policy, but I only direct them to a consideration of the future problem.

The fact that these directors on your company are enabled to have a possible preferred treatment gives your Board an enormous amount of power in building up one sound bank as opposed to another sound bank, doesn't it?

Mr. HOUSTON. I never think of building up any other institution.

Mr. ARNOLD. You hadn't thought of it but the power does exist there, doesn't it?

Mr. HOUSTON. It may exist; but it has never been exercised.

Mr. ARNOLD. Well, an \$11,000,000 deposit would certainly build up a bank, wouldn't it?

Mr. HOUSTON. Such deposits in one bank do not usually exist. As a matter of fact, the normal cash balance of our company wouldn't exceed that amount. We don't often have that amount of money, and we wouldn't put that amount of money in a bank even temporarily which had not already built up and developed the strength.

Mr. ARNOLD. I am assuming that in a community you would consider no unsound banks. I am only asking you if it isn't a fact that by virtue of this combination of directors of your company—I won't put it your company, directors of insurance companies, and directors of banks, an enormous centralized power is actually built up?

Mr. HOUSTON. Well, of course, there are large funds deposited in banks in various parts of the country, but not because we have trustees who are officers of the banks.

Mr. ARNOLD. Granted, but in this case you have two powerful bodies getting together, one the large bank and the other the large insurance company, and the fact that the directors represent the bank does constitute a getting together of two already large forces, does it not?

Mr. HOUSTON. That getting together rather suggests that members of boards seem to lie awake at night conspiring to see what they can do. I have never heard in any of the boards of which I have been a member, discussion of anything at any time except the immediate matter before the Board on its merits and in the public interest.

Mr. ARNOLD. I wasn't assuming—

Mr. HOUSTON (interposing). But it comes down to that.

Mr. ARNOLD. I wasn't assuming by my question that the power, or that there was any evidence in this record that the power, had been used improperly. I was only asking you whether that power did not exist, and whether that combination had not occurred, when the bank and the insurance company joined forces by virtue of this directorship.

Mr. HOUSTON. Well, where we have bank officers on our board, or have our trustees on bank boards, there is no use made of that for any untoward purpose and it is not intended that there should be. May I suggest that we would be delighted tomorrow if we could find suitable investments to reduce all these balances by at least 60 per cent, and we would do it without any—

Mr. ARNOLD (interposing). You keep giving to my questions an implication which I don't want made, and that is, that there is

something in this record, or something in my mind, suggesting that you have done something wrong.

Mr. HOUSTON. No; not that you have suggested anything.

Mr. ARNOLD. I would only again like to get your answer to the question. Isn't this combination the creator of a great reservoir of financial power in a very few people?

Mr. HOUSTON. Well, the reservoir does not arise because of the fact that bank officers are on our board or that our trustees are on bank boards. It would happen in any event.

Mr. ARNOLD. The fact that the director representing a bank and having control of the bank joins with a company which has a control of a large amount of funds does mean the joining together of two powerful interests, does it not?

Mr. HOUSTON. In appearance, yes; but that they try to use their position for the purpose of control, I am not aware.

Mr. ARNOLD. They try to use it properly; I wasn't raising that point.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. Mr. Houston, has there been developed the point as to whether or not there is any reciprocal advantage in this arrangement with reference to trustees? Do the insurance companies derive any benefit from strong associations, such as have been indicated?

Mr. HOUSTON. Judge, it is a very difficult matter always to find the right sort of a man to go on a board. Our sole aim is to find a man of high character, ability, experience, and knowledge who can be of the utmost service to the policyholders. We do not think of his connection with another institution except as it has a bearing on his experience. We try to get men who can be of the most service to the policyholders by reason of their experience, and I think we have men on the board who are invaluable for that reason, and whose services the ordinary policyholder couldn't buy, which we get for little or nothing. That is the sole object that we have in mind.

The VICE CHAIRMAN. If there are no further questions—

Mr. PATTERSON (interposing). I have a question, Mr. Chairman. Suppose a bank were about to fail, Mr. Houston, and the president of that bank was trustee of your institution, would that trustee be likely to inform you of the possible failure of his bank?

Mr. HOUSTON. I hope he would, but if he did not, we would probably have wind of it, and if the conditions permitted, we would get out.

Mr. GESELL. That would be a situation, would it not, Mr. Houston, where your director would find himself placed squarely in this conflict before he could have anticipated it, and his chance of resigning would not cure the situation by reason of the double responsibilities which he had.

Mr. HOUSTON. No.

Mr. GESELL. No further questions.

(The witness, Mr. Houston, was excused.)

Mr. GESELL. Mr. Hilles is the next witness.

The VICE CHAIRMAN. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HILLES. I do.

TESTIMONY OF CHARLES D. HILLES, DIRECTOR, NEW YORK LIFE INSURANCE CO., RESIDENT MANAGER FOR THE STATE OF NEW YORK OF THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, NEW YORK, N. Y.

TRANSACTIONS OF CHARLES D. HILLES, DIRECTOR, NEW YORK LIFE

Mr. GESELL. What is your full name?

Mr. HILLES. Charles D. Hilles.

Mr. GESELL. Are you connected with the New York Life Insurance Co. as a director?

Mr. HILLES. I am.

Mr. GESELL. How long have you been a director?

Mr. HILLES. Since 1922, the spring of 1922.

Mr. GESELL. Are you also connected with the Employers' Liability Assurance Corporation?

Mr. HILLES. I am.

Mr. GESELL. In what capacity?

Mr. HILLES. Resident manager for the State of New York.

Mr. GESELL. What type of insurance does Employers' Liability write?

Mr. HILLES. Liability insurance, commonly called casualty insurance.

Mr. GESELL. All forms of casualty insurance?

Mr. HILLES. Yes, sir.

Mr. GESELL. Has Employers Liability Assurance Corporation written insurance for the New York Life?

Mr. HILLES. Yes, sir.

Mr. GESELL. Since you have been a director?

Mr. HILLES. Yes, sir.

Mr. GESELL. Did they also do business with the company prior to that time?

Mr. HILLES. I think for 40 years they have done business, sir.

Mr. GESELL. The business has increased materially since you have been a director, has it not?

Mr. HILLES. The business has increased since I have been a director; yes, sir.

Mr. GESELL. Will you give us some idea of the amount of business done between the Employers and the New York Life Insurance Co. in recent years, the types of insurance, and the amount of premiums your company has received from the New York Life?

Mr. HILLES. Well, we have workmen's compensation insurance; we cover them throughout the country in the buildings in which they are interested; we have general liability insurance, elevator insurance, steam-boiler insurance, and to some extent, fidelity insurance.

Mr. GESELL. Any other forms of insurance?

Mr. HILLES. I think I have covered those that are important, sir. Workmen's compensation, general liability, which includes public liability, elevator, steam boiler, and the bonds.

Mr. GESELL. Is that business written simply on the property of the New York Life Insurance Co. in the State of New York, or is it written on the properties of the company throughout the country?

Mr. HILLES. It is a policy that is written to cover the New York Life Insurance Co. wherever it may have buildings in the United

States. Perhaps if you would give me a word, I could explain this—that there is what is called a master policy issued for a term of years covering specific locations, and as additional locations are acquired by the company they are endorsed on the policy, and as locations disappear in ownership or control they are subtracted from the policy by endorsement.

Mr. GESELL. Well, have you any idea as to the number of properties of the New York Life which are covered by your company in one form of insurance or the other?

Mr. HILLES. Well, as to properties, the number is 4,922 buildings, including the home-office buildings.

Mr. GESELL. The New York Life Insurance Co. has an interest in that many buildings?

Mr. HILLES. Yes, sir.

Mr. GESELL. And you cover the insurance on them?

Mr. HILLES. We do; yes, sir.

Mr. GESELL. What has been the average premium which your company has received from the New York Life in recent years?

Mr. HILLES. During the last 12 years the average premium paid to our company by the New York Life is \$99,891.40.

Mr. GESELL. Now can you tell us what the premiums received were in 1927?

Mr. HILLES. The premiums in 1927 were \$62,490.77.

Mr. GESELL. And what were the premiums in 1938?

Mr. HILLES. 1938, the premiums were \$182,658.43.

Mr. GESELL. Some of those 1938 premiums are premiums against long-term insurance where you have written the risk for several years beyond 1938?

Mr. HILLES. Three-year insurance.

Mr. GESELL. Since you have been a director of the New York Life have you actively solicited business from that company for your company?

Mr. HILLES. I do not think that I have, sir. As I have said, the New York Life was a client of our office long before I became connected with it, and we have had their business in this line of insurance. I cannot at the moment recall having solicited business. You have the record.

Mr. GESELL. You were a director in May of 1933, were you not?

Mr. HILLES. Yes, sir.

Mr. GESELL. Do you recall having written this letter to Mr. Alfred L. Aikin, then vice president of the New York Life? [Reading from "Exhibit No. 279"]:

I have tried two or three times to connect with you by telephone, but always when you were in executive committee meetings.

Then you mention some matter that is of no importance here, and say:

Now, however, another matter arises due largely to the connection of the McCall family with the National Surety Co., the surety and fidelity items of the miscellaneous lines of insurance of the New York Life were turned over to the National. I assume that the business of that company will be liquidated. In that case I hope it will be agreeable to you to have your fidelity and surety placed with us. As to our financial position, I may say that we were the one company in a total of 103 in business in the country which made a gain in 1932 in volume in underwriting profit and in assets.

Mr. HILLES. I wrote the letter; sir.

Mr. GESELL. As a result of that letter did you receive the lines of insurance which you requested, the fidelity and surety lines of insurance?

Mr. HILLES. I think not; I think we received only a small amount; nothing in—that was written in '33; nothing in '33 and nothing in '34; \$50 premium in '35.

Mr. GESELL. Well, now on May 10 did not Mr. Aikin write you [reading from "Exhibit No. 280"]:

I find that later in the month we have maturing a liability policy covering the Bridgeway Hotel in Springfield, Mass. This is now in the National Surety Co., and I shall have the new insurance written with the Employers, and from time to time as policies expire we shall be glad to place additional business through your office.

At your convenience, will you be good enough to send me the last annual statement of your company that we may have it in our files?

That letter indicates to me that as insurance expired with the National Surety Co. it was placed with your company. Is that the fact?

Mr. HILLES. It was only I think as to that hotel, and that was as specified, liability insurance.

Mr. GESELL. He says that from time to time as policies expire we shall be glad to place additional business through your office.

Mr. HILLES. But may I call your attention to the fact that he said the policy that was expiring on that hotel in Springfield was a liability policy? Your question was as to bonding, as I understood it.

Mr. GESELL. Will you tell me, Mr. Hilles, whether as part of your business from day to day it is necessary for you to talk to various officers and employees of the New York Life Insurance Co. about business matters?

Mr. HILLES. Yes, sir; I am there 2 days every week at meetings and I do meet officers, of course, and employees.

Mr. GESELL. Well, now, I am talking about your communication with them as the resident agents of Employers Liability and not such a contact as is necessary by reason of your directorship.

Mr. HILLES. I think my contact is chiefly with the president and chairman of the board in any matters of that sort. I do not recall having talked more than two or three times in several years to other officers, but perhaps that is an exaggeration. I no doubt have talked to them.

Mr. GESELL. It is necessary then for you as a businessman in the conduct of your business to be in a direct business relationship with the officers or employees of the company where you are a director?

Mr. HILLES. Yes, sir.

Mr. GESELL. Now I would like to call attention to one further letter, Mr. Hilles, written by yourself on August 2, 1938, on the stationery of Employers Liability Assurance Corporation to Mr. Van Anden of the New York Life Insurance Co.¹ You refer to steam boiler insurance and say you think it would be advisable to have periodic inspections made and believe that the best part of the steam boiler insurance is that it results in inspection, that a stitch in time may be taken, and again offer the services of your company. Do you consider these last letters that we have discussed a solicitation of business? And is it not a fact that it is necessary for you, no matter how you word your request, to as a businessman solicit business from the New York Life Insurance Co.?

¹ See "Exhibit No. 281", appendix, p. 1579.

Mr. HILLES. Well, we have had steam-boiler insurance with the New York Life as a part of the casualty business and that steam boiler letter I believe was made necessary or thought to be necessary by the fact that the inspectors of our company who inspect each of these properties throughout the country reported that there were more boilers in the buildings owned by the New York Life than were on the boiler schedule, so that it seemed that they had not made an inspection or had not reported to us for inspection all of the boilers that they owned; perhaps they were overlooked with new buildings coming into their possession, and it was done for the purpose really of making sure that they, depending upon us for insurance on their steam boilers, were not overlooking some of those that should have been on the schedule.

Mr. GESELL. It resulted in an additional line of insurance for your company, did it not?

Mr. HILLES. Well, as it turned out upon the check, it resulted in \$125 of additional insurance and the expansion there, sir, is this, that while it is true there were steam boilers that were in buildings owned by the New York Life that had come into their possession rather relatively recently, and were not on the schedule, that the explanation was made by Mr. Van Anden in a letter which you may have, or which certainly was at your disposal, that the practice of the real estate department was to insure only high pressure boilers and not to insure low pressure boilers, so that whereas the inspectors found more boilers than were on the list, only one high pressure boiler had been overlooked. That resulted in an addition of \$125.

Mr. GESELL. Now does your company write fire insurance?

Mr. HILLES. We have a fire insurance company, but the Employers Liability does not. I represent it also.

Mr. GESELL. It is called the Employers Fire Insurance Co.?

Mr. HILLES. It is; yes, sir.

Mr. GESELL. Have you ever solicited business from the New York Life Insurance Co. on behalf of that company?

Mr. HILLES. I talked with them about fire insurance on two occasions at the request of the president of the Employers Fire, but I certainly did not solicit business in the ordinary sense. I do not write fire insurance. We represent the Employers Fire only as to fire insurance on automobiles.

Mr. GESELL. You have an interest in that company, do you not?

Mr. HILLES. We do have an interest in it, but I am not a fire-insurance man and I do not represent them as to fire insurance on buildings in New York City. Mr. McFalls does.

Mr. GESELL. I want to call to your attention a memorandum on the stationery of the Employers Fire Insurance Co. entitled, "Inter-Office Correspondence, Personal," to yourself, from Mr. Edward Stone. I believe he is president, is he not?

Mr. HILLES. He is.

Mr. GESELL (reading from "Exhibit No. 282"):

In the past you have on a number of occasions attempted to prevail upon the New York Life Insurance Co. to use the facilities of our fire company. They have, I believe, taken the position they cannot influence their property managers who in many instances are insurance agents to place with any one particular company the fire insurance on buildings in which they are interested as mortgages.

While I quite appreciate their position, I have recently learned from Mr. Burton J. Perry, president of the Massachusetts Mutual Life Insurance Co. of Springfield, Mass., that they and many other life companies have decided to use but one fire company to give them the necessary coverage.

And he goes on to discuss this and says:

Possibly the New York Life Insurance Co. has considered a similar plan. At any rate, I am wondering if you would be so good as to find out what they do, and more particularly whether or not you could in some fashion or other influence them to use the Employers Fire Insurance Co. as the company to handle their fire insurance on those properties they own. Such an arrangement obviously would help the fire company a great deal!

Yours for profitable premiums.

Mr. GESELL. That memorandum would indicate that on several occasions you have attempted to obtain business for the Employers Fire Insurance Co. from the New York Life Insurance Co.

Mr. HILLES. I don't think it was intended to do that. At any rate, it didn't at the moment make that impression on me. He had from time to time spoken to me about the desire of the fire company to have some of the fire insurance and on each occasion, after talking with them up at the New York Life, I made the explanation to him that they up in the New York Life did not select the companies in the field.

Each time I made that, and I think perhaps you will find in the correspondence that I have written him to that effect.

Mr. GESELL. You wrote him subsequently on September 14, 1938, stating that you had an opportunity to talk to the appropriate officials of the company and that they had made no changes in their policy.¹

Mr. HILLES. Yes, sir. Didn't I say, sir, that they had a policy with respect to the placing of fire insurance and they would not follow the lead of another fire insurance company in placing all their eggs in one basket?

Mr. GESELL. That is right, they had not changed their policy in any way. I will offer that in evidence.

Mr. HILLES. Thank you.

Mr. GESELL. Now just one further matter, Mr. Hilles. You have said that the premiums received by your company from the New York Life have averaged since 1927 close to \$100,000 a year.

Mr. HILLES. Yes, sir.

Mr. GESELL. Am I correct in saying that your compensation on behalf of the Employer's Liability Assurance Co. is a flat salary which continues year in and year out regardless of the business and a percentage of the premiums brought in?

Mr. HILLES. Yes, sir; you are correct except in saying that it continues regardless of the business. If the business were to disappear I fear the salary would also disappear.

Mr. GESELL. I meant the business of the New York Life, sir. What percentage of the premiums do you receive?

Mr. HILLES. You don't mean of the New York Life; you mean of the Employer's Liability.

Mr. GESELL. Yes. What percentage of the premiums that are received from the New York Life Insurance Co. do you receive as your compensation?

Mr. HILLES. I don't receive compensation based on the volume of business, but I do receive a profit sharing on the profits of the agency.

Mr. GESELL. Those will be profits resulting from the New York Life business and other business?

Mr. HILLES. From all of the business written in the agency; yes, sir.

¹ See "Exhibit No. 233", appendix, p. 1580.

Mr. GESELL. What percentage is that?

Mr. HILLES. Ten percent of the profits of the agency, the net profits.

Mr. GESELL. The premiums from the New York Life paid to your company have helped to accumulate those profits, have they not?

Mr. HILLES. Well, I think the New York Life has had a satisfactory experience as otherwise we wouldn't have continued indefinitely on the risk.

Mr. GESELL. There is one other point I want to bring out. As far as the rates are concerned, your company charges the New York Life Insurance Co. the same rates as any other company would be obliged to charge because of the rating system that exists, is that correct?

Mr. HILLES. The rating system is one under which, as to workmen's compensation, there is a national council on compensation insurance, and that council has a manual committee, which committee prepares the basic manual for all compensation rates in the United States. Each State has a variant from that basic rate, but the basic rate is made by the manual committee, consisting of four stock companies and four mutual companies, and those rates are filed with the insurance department of each of the States.

Then, in addition to that, there is a compensation insurance rating division which also files its findings with the insurance department, and they are subject to the approval of the department.

Mr. GESELL. All I was trying to get at is that your company charges the same uniform rates that are set up through this system.

Mr. HILLES. We do charge the same rate.

Mr. GESELL. Any other company doing the business of the New York Life Insurance Co. would be obliged to charge the same rate as you do?

Mr. HILLES. Well, any company that files its rates with the insurance department of the State of New York and has those rates approved by the department as to adequacy must charge those rates.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. If there are no further questions, you are excused.

Mr. GESELL. I wish to offer for the record at this time the various letters which I have referred to in the examination of Mr. Hilles.

The VICE CHAIRMAN. They may be admitted.

(The letters referred to were marked "Exhibits Nos. 279 to 283" and are included in the appendix on pp. 1578-1580.)

Mr. HILLES. May I make this statement?

The VICE CHAIRMAN. Yes, sir; you may make whatever statement you want.

Mr. HILLES. The premiums of the New York Life since 1927 have increased by reason of the large number of buildings that the company has taken over, either as mortgagee in possession or because of foreclosure. That is the reason for the increasing business. Further I would say that the business of the agency is approximately \$7,000,000 a year, or has been during those 12 years, so the New York Life supplies about one and one-third percent.

Mr. GESELL. I wish to now read for the record two memorandums from the files of the New York Life Insurance Co., one a memorandum—

The VICE CHAIRMAN (interposing). Do they have to do with the testimony?

Mr. GESELL. Yes, they do.

The VICE CHAIRMAN. The witness had better remain.

Mr. GESELL. One a memorandum by Mr. W. T. Hadley to Vice President Aiken, dated November 9, 1933 [reading from "Exhibit No. 284"]:

Please refer to the attached extract from minutes of the executive committee meeting of November 30, 1932, with reference to the bonding of residential loan correspondents in cases of individuals, partnerships, or small corporations.

Up to August 31 of this year, the coverage referred to was placed with the National Surety Co. (later the National Surety Corporation). However, we were directed, after a conference of some of our executives, to place the coverage with the Employers' Liability Assurance Corporation from August 31, 1933. The Employers' Liability Corporation has furnished us with the same type of bond as we formerly had, and the premium—\$5 per \$1,000—for the bond is the same as it was in the case of the National Surety Co:

That is the portion of the memorandum that I want quoted for the record.

The other is from the superintendent of real estate to Mr. Claude W. Shimon, dated February 6, 1936, relating to the property at Fourth Street, corner of Ludlow, Dayton, Ohio [reading from "Exhibit No. 285"]:

We acknowledge receipt of yours of February 3 and the letter addressed to you by Sidney Eisenberger, receiver in the foreclosure action of the above property, and have noted what he has to say with regard to the several companies whose premiums he quotes.

We find that the Buckeye Union Casualty Co. and the Shelby Mutual Co. are rather small concerns, and that the Employers' Liability and General Accident Cos. are the larger companies with whom we ordinarily would be willing to do business.

Our recommendation is that the Employers' Liability Assurance Corporation be used for two reasons. First of all, the fact that our own blanket liability policy is carried in that company, and second, it is the writer's understanding that the General Accident Insurance Co. takes a very independent attitude in the handling of their business in New York. We have had very little insurance with them ourselves and cannot say just how they would react to any business we might be connected with.

The writer knows that several of our officers would prefer that the Employers' Liability Assurance Corporation be used for this coverage if possible.

I wish to offer those for the record.

The VICE CHAIRMAN. They may be admitted.

(The memoranda referred to were marked "Exhibits Nos. 284 and 285" and are included in the appendix on p. 1581.)

The VICE CHAIRMAN. Is there any further testimony?

Mr. GESELL. None.

The VICE CHAIRMAN. Any further statement that you would like to make?

Mr. HILLES. None.

(The witness, Mr. Hilles, was excused.)

The VICE CHAIRMAN. We are assured by counsel putting this testimony on that it is expected tomorrow to conclude the testimony with reference to these insurance investigations.

Mr. GESELL. This phase of it.

The VICE CHAIRMAN. This phase of it, whatever that phase is.

We will begin at 10 o'clock, in order to get through, and we will stay as long as necessary to get through, and finish it up tomorrow.

We stand in adjournment until 10 o'clock tomorrow.

(Whereupon, at 11:55 a. m., a recess was taken until Friday, February 17, 1939, at 10 o'clock.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

FRIDAY, FEBRUARY 17, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on Thursday, February 16, 1939, in the Caucus Room, Senate Office Building, Senator William H. King presiding.

Present: Senator King (acting chairman), Representatives Sumners and Reece; Messrs. O'Connell, Ferguson, and Frank.

Present also: Mr. Gerhard Gesell, Special Counsel, Securities and Exchange Commission.

Acting Chairman KING. The committee will be in order.

Mr. GESELL. The first witness this morning will be Mr. Chubb.

Acting Chairman KING. Do you solemnly swear the evidence you shall give in this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CHUBB. I do.

TESTIMONY OF HENDON CHUBB, DIRECTOR, PRUDENTIAL LIFE INSURANCE CO. OF AMERICA, WEST ORANGE, N. J.

TRANSACTIONS OF HENDON CHUBB, DIRECTOR, PRUDENTIAL INSURANCE COMPANY

Acting Chairman KING. State your name and residence.

Mr. CHUBB. Hendon Chubb; residence, West Orange, N. J.

Mr. GESELL. Mr. Chubb, you are a director of the Prudential Life Insurance Co.; are you not?

Mr. CHUBB. Yes, sir.

Mr. GESELL. How long have you been a director?

Mr. CHUBB. Since 1923, 15 years.

Mr. GESELL. In what business are you engaged, Mr. Chubb?

Mr. CHUBB. The insurance business, largely marine.

Mr. GESELL. Largely marine?

Mr. CHUBB. Largely marine.

Mr. GESELL. You are also interested in the casualty and fire insurance business; are you not?

Mr. CHUBB. Largely.

Acting Chairman KING. You mean the company, not him individually.

Mr. GESELL. Mr. Chubb individually.

The Prudential Insurance Co. is a life insurance company; is it not?

Mr. CHUBB. Yes.

Mr. GESELL. You are a partner of Chubb & Son?

Mr. CHUBB. Yes, sir.

Mr. GESELL. Is Chubb & Son an insurance broker or an insurance manager, or just what business are they in?

Mr. CHUBB. They are managers for insurance companies. They are not brokers.

Mr. GESELL. Among the companies they manage are the United States Guarantee and the Federal Insurance Co.?

Mr. CHUBB. The United States Guarantee Co.—they represent them for certain departments only.

Mr. GESELL. For their casualty department?

Mr. CHUBB. For their casualty department.

Mr. GESELL. And they represent the Federal Insurance Co. for all of its—

Mr. CHUBB (interposing). Everything it does.

Mr. GESELL. Including the fire business?

Mr. CHUBB. Including the fire business.

Mr. GESELL. Are you yourself connected with the United States Guarantee Co.?

Mr. CHUBB. I am chairman of the executive committee.

Mr. GESELL. You are also a director of that company?

Mr. CHUBB. Yes, of course.

Mr. GESELL. Mr. Delafield—

Mr. CHUBB (interposing). Mr. Duffield?

Mr. GESELL. Mr. Duffield, who was formerly president of the Prudential, was also a director of the United States Guarantee Co., was he not?

Mr. CHUBB. Yes, sir.

Mr. GESELL. He died in September, of 1938, was it?

Mr. CHUBB. I think it was September.

Mr. GESELL. In the fall of 1938?

Mr. CHUBB. In the fall of 1938. I think it was September.

Mr. GESELL. Are you also connected with the Federal Insurance Co.?

Mr. CHUBB. Yes, sir; I am president.

Mr. GESELL. Are you also a director of that company?

Mr. CHUBB. Yes, sir.

Mr. GESELL. Mr. Stedman, who is a vice president of the Prudential, is also a director of the Federal, is he not?

Mr. CHUBB. Yes, sir.

Mr. GESELL. And Mr. Albert C. Wall, general counsel and director of the Prudential, is also a director of the Federal?

Mr. CHUBB. He is a director of the Federal. I didn't think he was now general counsel for the Prudential. You probably know that better than I. He is a director, anyhow.

Mr. GESELL. He is a director on both the Federal and Prudential?

Mr. CHUBB. Yes; there is no question about that.

Mr. GESELL. Do you have any connection with the American Insurance Co.?

Mr. CHUBB. None whatever.

Mr. GESELL. Are you familiar with its business and the nature of its business in a general way?

Mr. CHUBB. In a very general way.

Mr. GESELL. It is a fire company, is it?

Mr. CHUBB. Principally.

Mr. GESELL. Do you know that Mr. Barnard, a director of the Prudential, is a director of that company?

Mr. CHUBB. I didn't know it.

Mr. GESELL. Do you know whether or not Mr. Duffield was formerly connected with that company?

Mr. CHUBB. I think he was at one time. Whether he was at the time of his death I don't know.

Mr. GESELL. The United States Guarantee Co. receives premiums from the Prudential, does it not?

Mr. CHUBB. Yes.

Mr. GESELL. The Federal Insurance Co. receives premiums from the Prudential, does it not?

Mr. CHUBB. Yes.

Mr. GESELL. Can you tell us the nature of the business which the United States Guarantee Co. does with the Prudential?

Mr. CHUBB. Only in a very general way. I am not a liability expert, but my understanding of it is that there is a blanket policy covering property owned, the liability on property owned by the Prudential, and that on those a part of the business comes to the United States Guarantee Co.—I think it is a third, but I am not quite clear. I'd have to refer to a memorandum.

Mr. GESELL. Can you tell us the type of business which the Federal Insurance Co. does with the Prudential?

Mr. CHUBB. It does two types of business: One, which I frankly don't know the full particulars of, but it covers securities in transit and premiums—I have got them here if you want them later. The other is, just recently they have been given a share of the reinsurance by the American Insurance Company business, of all the fire insurance on all property owned by the Prudential.

Acting Chairman KING. The loud-speaking arrangements are not perfect this morning. Will you speak a little louder, please.

Mr. GESELL. I have in my hand a memorandum from Mr. J. M. Lynch, assistant supervisor of the Prudential Insurance Co., showing premiums paid to the United States Guarantee Co., the Federal Insurance Co., and the American Insurance Co., for the years 1932 to 1938, 1935, to 1938, and 1930 to 1938, respectively. This memorandum indicates that from 1933 to 1938 the United States Guarantee Co. received premiums totaling \$159,432.26; that the Federal Insurance Co. received premiums from 1935 to 1938, inclusive, totaling \$93,470.31; and that the American Insurance Co. from 1930 to 1938, inclusive, received premiums totaling \$1,078,489.73. I should like to offer this schedule for the record.

(The schedule referred to was marked "Exhibit No. 286" and is included in the appendix on p. 1582.)

Mr. CHUBB. Might I ask in connection with that schedule and those figures, Does that mean the reinsurance received from the American or not?—because otherwise I am somewhat surprised from the figure.

Mr. GESELL. The memorandum states it includes premiums paid, less returns on account of cancelations, reductions, and so forth, to the insurance company listed.

Mr. CHUBB. I am asking you to comment on it, unless it includes the reinsurance received from the American. In other words, it would

seem to me with the very little knowledge I have of it that you had two items, one of which included the other. That is to say, the amount you show from the American, of which I have no knowledge whatever, probably includes the amount during the last 2 years, or year and a half, that they have paid to the Federal Insurance Co.

Mr. GESELL. Do you feel that the Federal Insurance figure of \$93,470 is too high or too low?

Mr. CHUBB. If it is direct business received from the Prudential, I should say it was high, but I haven't the figures before me.

Mr. GESELL. If it includes the reinsurance?

Mr. CHUBB. Then I haven't any opinion, but it wouldn't surprise me.

Mr. GESELL. May we ask, Mr. Chubb, that at a time convenient for you, you submit to us the figures for the Federal Insurance Co. to include that reinsurance item in order that we can compare them with this figure.

Mr. CHUBB. We will do so. I understood our office had done so, that they had given your examiner a memorandum, but I was away at the time your examiner went through the office.

Acting Chairman KING. I think you had better confer with counsel, and if there is any discrepancy here, rectify it.

Mr. GESELL. With respect to the business of the United States Guarantee Co., were you instrumental in obtaining that business for the United States Guarantee Co. from the Prudential?

Mr. CHUBB. Not by any direct action on my part whatsoever. I think possibly my recollection of the whole incident would give you a clear picture of the thing as I understand it, if you care to have me do so.

Mr. GESELL. Certainly.

Mr. CHUBB. As I recollect it, in about '32 or '33, Prudential asked me to come in and discuss with them, as they had before, questions of the standing of various companies with which they did business.

Mr. GESELL. Various insurance companies?

Mr. CHUBB. Various insurance companies, and you will recollect at that time that not only were insurance companies, a great many of them, in very bad shape, but I think that particularly applied to those doing a surety business and bank guaranty business.

I went down—and this is some time ago—and went into those things, and without any suggestion on my part, because I have never made any suggestion to the Prudential about doing business with me, they asked me certain questions about the position of our company, and I said when it came to the question of liability insurance, I was not an expert, I had a very slight knowledge personally, and that I would be very glad to send the head of our department over to confer with them.

Out of that we got an interest in the business, but I want to make it very clear that there was no solicitation by me of the officers of the Prudential toward getting business for the United States Guarantee.

Mr. GESELL. Do you recall this letter, which I think helps explain your testimony, Mr. Chubb, on January 3, 1933, addressed to Mr. Woodruff, of the Prudential:

Referring to our conversation of yesterday, this will introduce Mr. H. G. White, who is the head of this department in our organization, and who has our full confidence. I am quite sure that the United States Guarantee Co. can be of considerable use to you in this situation.

Yours sincerely,

Mr. CHUBB. Yes.

Mr. GESELL. As the result of the conversation which ensued between Mr. White and Mr. Woodruff, the United States Guarantee Co. commenced to do business with the Prudential.

Mr. CHUBB. Yes.

Mr. GESELL. Did you have any feeling that your participation to the extent shown by the record in this matter placed you in a conflicting position in any way?

Mr. CHUBB. Absolutely not.

Mr. GESELL. Do you receive individually a share of the profits resulting from the payment of the premiums?

Mr. CHUBB. Yes; I do; but by the time it gets to me it is not a very important matter.

Mr. GESELL. But you do receive an interest?

Mr. CHUBB. Yes; I do.

Acting Chairman KING. Personally?

Mr. CHUBB. As a member of the firm, Senator.

Acting Chairman KING. You mean the firm of Chubb & Son?

Mr. CHUBB. The firm of Chubb & Son receive a contingent, as is customary in that class of business, and I have an interest in that firm which I could not outline now, how much it was in those years, but the whole business is a very small business in the premium income of the United States Guarantee Co.

Mr. GESELL. Now, coming to the Federal Co. for a moment, I believe you said you wrote fire insurance?

Mr. CHUBB. Yes.

Mr. GESELL. And have received premiums from the Prudential for fire insurance business?

Mr. CHUBB. Well, now there is just a technical difference. I do not think they have received any premium for fire insurance business from the Prudential. I think the Federal has received premiums on the Prudential's business through the American. It is merely—there is a technical difference, and I just want to make it clear I do not think it is of any importance in this discussion.

Mr. GESELL. It results in the Federal Insurance Co. writing the risk?

Mr. CHUBB. Yes, sir; that is perfectly true.

Mr. GESELL. Now, up until 1933 the Federal Insurance Co. had not been writing any fire insurance, had it?

Mr. CHUBB. Well, not for some time; it had been in the fire business.

Mr. GESELL. Years ago?

Mr. CHUBB. Not so very many years ago.

Mr. GESELL. But immediately prior to 1933 it had not written any fire insurance, had it?

Mr. CHUBB. Not for I should say 2 years before that.

Mr. GESELL. Now, in 1933 did you discuss with officials of the Prudential the general fire insurance situation?

Mr. CHUBB. Yes.

Mr. GESELL. In connection with those discussions did you refer to the possibility of the Federal Insurance Co. writing some of that business?

Mr. CHUBB. I did not.

Mr. GESELL. Starting in '33 the Federal Insurance Co. reentered the fire insurance field?

Mr. CHUBB. Yes, sir.

Mr. GESELL. And in 1938 it received its first business from the Prudential?

Mr. CHUBB. That is my recollection.

Mr. GESELL. Now, who handled for your company the necessary business dealings which resulted in the Federal receiving these premiums?

Acting Chairman KING. When you speak of his company, you are referring to Chubb & Son?

Mr. GESELL. I was referring to the Federal.

Mr. CHUBB. Well, in this particular case it would be synonymous because we are the managers of the Federal. There were a number of people—I think Mr. Byron May and Mr. Witholm, who is the manager of the fire department.

Mr. GESELL. Do you recall ever having seen this letter, a letter from Mr. May to Mr. Rogers, vice president of the Prudential Insurance Co., dated April 18, 1938? It says:

I want to thank you for your courtesy to Mr. Wrenn and myself when we called at your office on April 5 to discuss the possibility of the Prudential's placing a share of its fire insurance with the Federal Insurance Co. This is the same question that Mr. Witholm and I considered with you on October 7, 1937, during our previous call at your office.

The Federal Insurance Co.'s fire business has been steadily growing since we reentered the fire insurance field on December 1933 and it would be very gratifying if our writings could be augmented by an interest in the fire insurance which the Prudential places with the American Insurance Co. of Newark. We understand that there are five other companies participating in this business as reinsurance, although you contemplate that there may be some change in this arrangement in the future.

In view of the Federal's possibility as a strong New Jersey company we would be very pleased to have you consider including our company among those which now reinsure the American.

For your records we are enclosing a copy of the Federal's latest statement and we feel certain that if your company can give favorable consideration to our request the details of the Federal's inclusion for a share of your business can be worked out to your entire satisfaction.

Did you know that Mr. May of your organization was going to seek this business from the Prudential?

Mr. CHUBB. Yes; I knew that they came to me, and they came to me on two or three other occasions on the subject, and I said "No; I want hands off. You can't make any use of my name." Finally they said, "When we go over there and do not make any use of your name in the matter at all——" I said, "You can do that, but I am not going to say anything and I will never use any influence to get that business for you."

Mr. GESELL. Just gets to be kind of a difficult situation, doesn't it, Mr. Chubb?

Mr. CHUBB. No; I do not think so at all.

Mr. GESELL. You yourself anxious to keep completely removed from the obtaining of this business, having your organization with aggressive men who are seeking the business; they approach another company with which you are affiliated and connected; those officers they approach naturally must have mixed feelings in the situation, must they not?

Mr. CHUBB. Well, I think to my mind, as to my responsibility as director of the Prudential, what I have in mind is that I would do nothing that would create any obligation on my part to any officer of

the Prudential Insurance Co. Now I do not think that is a difficult distinction to make at all. I think as a director of the Prudential I owe a very definite duty to the Prudential and I must not use it.

They must not use it any way except for the Prudential's use, and without regard to my own interest. That is what I have lived up to.

Mr. GESELL. And you felt that it was absolutely essential for you to keep your hands completely off any solicitation of business for your company?

Mr. CHUBB. I felt that that was a position I wished to be in, that I was under no obligation to any officer of the Prudential for anything they gave me because being director I did not want to be in that position. I am not judging others; I am just stating my own position.

Mr. GESELL. From the point of view of the officials of the Prudential, they might be inclined to give business to your company in preference to some other company, quite apart from any position you took because of the situation which existed, might they not?

Mr. CHUBB. They might be quite inclined to give business to my company because they would know the character of management which it had if I was the head of it.

Mr. GESELL. They would have confidence in you, having had business relations with you and having known you for many years?

Mr. CHUBB. I can see no impropriety in that.

Mr. GESELL. Now in 1938 a new arrangement with respect to the writing of the fire insurance of the Prudential resulted with four different companies, each writing 25 percent of the business, is that not correct?

Mr. CHUBB. I believe so; yes, sir.

Mr. GESELL. The American Insurance Co., the Fireman's Insurance Co., and Insurance Co. of North America, and the American Insurance Co. has 25 percent, and each of the other companies 25, including the Federal?

Mr. CHUBB. I know there is 25 percent, but I would not be quite sure as to the companies that have the insurance; American does; I know the Federal does, and I know the Insurance Co. of North America does, and I probably knew who the fourth company was.

Acting Chairman KING. For my information may I interrupt with this question? Were these companies whose names have just been presented doing anything besides casualty and fire insurance?

Mr. CHUBB. The companies he just mentioned, Senator, were fire insurance companies and I think all the questions I have been replying to in the last 5 minutes have had to do purely with fire business.

Mr. GESELL. We had mentioned the United States Guarantee Co. which did the liability business?

Mr. CHUBB. Yes.

Acting Chairman KING. What is the rule with respect to insurance companies, fire and liability insurance, one company taking out a large policy and then dividing it among other companies? Is not that the practice?

Mr. CHUBB. That is very often done. I do not think you could say there was a practice that way, Senator, it is done both ways. Of course nearly every company that takes a large line does it in turn, passes it out to other companies.

Acting Chairman KING. They divide the liabilities?

Mr. CHUBB. They divide the liabilities to get an average.

Acting Chairman KING. To divide the risk?

Mr. CHUBB. Yes, sir.

Acting Chairman KING. Then it is not an uncommon thing for these casualty liability and fire-insurance companies to divide the risks by apportioning to various corporations?

Mr. CHUBB. Oh, not at all, sir.

Acting Chairman KING. Part of the policy and part of the risk. Would that be true with respect to life insurance, ordinary life insurance?

Mr. CHUBB. I probably know less about that than any other class of insurance, but I think the large lives are handled exactly the same way, but I really do not know enough to answer that question.

Acting Chairman KING. Well, what is the general line of business of the Prudential, just in a word?

Mr. CHUBB. Life insurance entirely, and such disability insurance as goes with it.

Acting Chairman KING. That is all.

Mr. GESELL. Now, are you familiar with the memorandum, a portion of which I am about to read, dated April 23, 1938, from Mr. Wrenn concerning the Prudential Life Insurance Co.? The memorandum states—

Mr. Bucknell and the writer today visited the offices of the American Insurance Co. of Newark and spoke to Mr. Paul B. Summers, the president, who informed us that he was delighted to notify us of Mr. Roger's decision to give us a participation of 25 percent of all the business of the Prudential Life Insurance Co. as reinsurance of the American of Newark. He requested us to keep this information confidential until it had been released by Mr. Rogers.

In the course of our conversation he mentioned that the premium last year had been \$598,000 approximately, of which about one-third covered farm properties. The lost ratio on farm properties amounted to approximately 52 percent and the lost ratio on the balance about 28 percent, making approximate average of about 35 percent. He stated—and this is the part I want to call particularly to your attention—that "the companies participating in this business would be the American of Newark, the Insurance Co. of North America, the Firemen's of Newark, and the Federal."

He also stated that he expected eventually there would be only two companies interested in this insurance and that the two would be the American and the Federal. He stated that Colonel D'Olier, the official in charge of this matter, is a Philadelphia man and that for a number of reasons connected with financing Philadelphia issues the Prudential desires to have the North American participating.

He also stated that as part of the reason for the American's participation the five or six of the American directors are also directors of the Prudential. He stated that there would be no expenses in connection with the handling of this business other than a very nominal charge for printing and stationery, and that the cost to us would be exactly the commission cost to the American, which is on the basis of association commissions wherever the risks are located.

Do you recall that memorandum?

Mr. CHUBB. No; I doubt very much if I saw that. I recall it now because it was sent to me by my office. I don't recall, and I am sure I should have recalled it if I had read it.

Mr. GESELL. The memorandum indicates to me that one of the factors involved in the allocation of the fire insurance is this question of interlocking directorships.

Mr. CHUBB. Well, after all, such inference as you draw from it would be drawn from what Mr. Summers said, and I am not qualified to speak for Mr. Summers. I never discussed this matter with him in any way, shape, or form. Mr. Bucknell and Mr. Wrenn, who

went over there, are men concerned with the practical detail of working it out; they are not concerned with the contract or the underwriting of the business. I have read it within the last 2 days, because it has been sent to me. My impression is that the statement as to directors is entirely wrong, but I may be wrong as to that. I don't think there are five or six interlocking directors.

Mr. GESELL. As to number but not as to the fact of the interlocking directorate?

Mr. CHUBB. I have no knowledge as to whether that was a factor in its going to the American or not. I think there are a great many other things that you can think of for its going there, other than that.

Mr. GESELL. You have, I think, advised on many occasions with the Prudential concerning their fire and casualty insurance problems, quite unrelated to your business at all.

Mr. CHUBB. Oh, particularly during the times following the crisis in, well, from 1932 on.

Mr. GESELL. They sought your advice with respect to the kind of fire insurance which is to be written on their properties, the kind of casualty insurance to be written on their properties, what companies to choose, matters of that character?

Mr. CHUBB. They have consulted me as to the strength of the companies that were doing their business at that time, and as to the risks they were taking at a period of that kind. They have consulted me as regards fire, as to the method they used in doing it. I think they sought to consult with me about the liability, but I didn't know enough about it to advise them.

Mr. GESELL. Well, now, did you feel at any time that it was difficult to talk to the Prudential about their insurance problems when you, yourself, were an insurance man interested, quite properly, in the development of certain companies engaged in the types of insurance which were under discussion?

Mr. CHUBB. Never.

Mr. GESELL. I have no further questions of this witness.

Acting Chairman KING. The interest the Prudential Co. had in fire insurance I understand was merely the protection of properties which came to it in the conduct of its life insurance business.

Mr. CHUBB. To a large extent they were foreclosed properties, and of course that account has been going down.

Acting Chairman KING. How did it acquire so many properties?

Mr. CHUBB. Through foreclosure during the time of the crisis.

Acting Chairman KING. It made loans?

Mr. CHUBB. Yes, sir.

Acting Chairman KING. And it had been compelled, then, to foreclose some of its loans, and while it had made those loans, of course, it was interested in seeing that the property was protected by legitimate and proper fire insurance.

Mr. CHUBB. Yes, sir.

Acting Chairman KING. But it wasn't engaged in writing fire insurance?

Mr. CHUBB. Not in any way.

Might I say a word, Mr. Chairman, if it is in order? There have been certain inferences as to the power of interlocking directorates in affecting this business, and I have been asked a question as to whether I felt there was any conflict. I would like to state emphatically, I

would draw attention to the fact that back in 1933 I was consulted about the companies that should be on that policy. I wasn't asked to recommend companies, but I was asked to pass on the financial responsibilities of companies during a crisis.

Acting Chairman KING. Were you asked as a director of the Prudential?

Mr. CHUBB. I was asked purely as a director of the Prudential. During that time I was president of a company that I think I can say was financially the strongest company in New Jersey and perhaps in the country. I never recommended its use, I never suggested its use. Now I am not making that statement to put myself in a special position. I believe that the idea of responsibility to the Prudential has been general with every director that has been there. I have been on that board 15 years. I have never seen a case of conflict between the duties of a director of the Prudential and his duty to his company. I have never seen it affect the duties to the Prudential adversely in that whole time. That is 15 years of the biggest financial stress this country has been in in my lifetime, or even the younger men's lifetime. I have never seen such a case, and I will go further and say that during that time—the question was asked of Mr. Houston yesterday about the bank directors. During that time I have seen many times when the special knowledge they possessed was itself of great value to the Prudential at such a time, just as I believe my knowledge of the insurance, which I never seek to capitalize and never make use of, was of very great value in considering the carriers of insurance.

Mr. O'CONNELL. The thing you last said caused me to think of a question I would like to have clarified a bit. I understand it is your position, and you and the other directors of the company, are very sure that you and none of them ever has taken advantage in any way of the particular situation with which we have been dealing, and I think we are perfectly willing to concede that. I also understood from your testimony that you were at all times very careful to see to it that no such possibility would come to fruition, that you observed the strictest proprieties of the situation, so to speak. Is that correct?

Mr. CHUBB. Yes, sir; I hope so.

Mr. O'CONNELL. That gives me to think that you realize, during this period, that there was a very real possibility that such a conflict was inherent in the situation if the strictest sense of the proprieties was not observed by each of the persons in such a situation.

Mr. CHUBB. I think that is a question of the way a person would look at it. The only thing I had in my mind in my attitude was, I never saw anything embarrassing to the Prudential, but I saw something that might be embarrassing to me if I felt that I was under obligation to any of the officers, who after all are accountable to the directors, and I would never put myself in the position of asking favors on that account.

Mr. O'CONNELL. I see.

Mr. GESELL. Just one further question, since you brought up Mr. Houston's testimony of yesterday. There we had indication of direct solicitation by the directors of deposits and business from that company. That is the type of situation which here you kept completely away from, is it not?

Mr. CHUBB. Yes, sir; I have kept away from it.

Mr. GESELL. You didn't mean to say that your situation was identical with that of the bankers in the case of the Mutual Life Insurance Co.

Mr. CHUBB. I don't think I referred to that, Mr. Chairman. What I referred to was the question of whether there would not inevitably arise a conflict between the duty of a director, of a man that was connected with a bank, and with a director as a director of a life-insurance company, and I said that during 15 years I had never seen such a conflict arise. That has had nothing to do with whether they solicited business or not. I know only about myself; I don't know about the others.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. May I ask you a question to clarify the record? Are the rates charged by the various insurance companies uniform rates?

Mr. CHUBB. In most cases, but not in all cases.

The VICE CHAIRMAN. Then the choice would be——

Mr. CHUBB (interposing). Well, may I qualify that? For instance, we have been talking about fire insurance. I think that they are all the same as regards that. I am really much more of an expert on marine than I am on fire; I don't want to dodge, but I might not know quite so much.

The VICE CHAIRMAN. Then the matter of choice would be as to solvency of the company and not the rate to be had?

Mr. CHUBB. Well, I think there would be a third consideration. I think the first question, of course, is as to solvency; the second question, to my mind, is whether the management is of the type that recognizes the equities of a situation rather than the technicalities of a situation.

The VICE CHAIRMAN. That is interesting. Do you mean that in the settlement of fire losses you want a company that recognizes the equities of the situation as distinguished from the technicalities? Are you referring to adjustments now?

Mr. CHUBB. I am referring to adjustments; yes, sir.

The VICE CHAIRMAN. I never thought of that. Thank you.

Mr. CHUBB. Well, I think perhaps your experience has been fortunate.

Acting Chairman KING. Sometimes agents do resort to technicalities in the construction of their contracts after there has been casualty.

Mr. CHUBB. I regret to say that is sometimes so.

The VICE CHAIRMAN. I always thought that was a matter of the meanness of the agent as distinguished from the policy of the company. Do policies have that?

Mr. CHUBB. I think you are asking me a pretty hard question.

The VICE CHAIRMAN. No; I won't ask it.

Acting Chairman KING. The rates are usually fixed by statute, are they not, in a given State—take New York?

Mr. CHUBB. In New York, I wouldn't say—they are based on experience. They are what you call filed rates. The rates are filed by all the companies and the department approves of those as being both adequate and not high and not discriminatory, so you file those rates and you have to abide by them.

Acting Chairman KING. So, after all, there is a good deal of uniformity in the rates.

Mr. CHUBB. Almost entirely uniform.

Acting Chairman KING. Because you have to submit data to the representative of the State insurance department, and he approves or disapproves of the rates which are submitted, so that the policy tends to uniformity and prevents what some persons have called cutthroat rates being given which might result in serious losses to the company.

Mr. CHUBB. Yes, sir; or insolvency to the company. I think that is the theory of it.

Acting Chairman KING. There were during the depression a number of companies that suffered materially.

Mr. CHUBB. More, perhaps. There were a great many of them.

Mr. HINRICHs. May I ask one question, please. In your discussion of the equities of adjustment that you have just mentioned, does that raise potentially any continuing conflict of interest in the two positions; that is, your position is involved not only in connection with the writing of insurance but potentially, except where the greatest care is used, also throughout the life of the policy? Would that be an incorrect interpretation?

Mr. CHUBB. Now, I don't want to appear "holier than thou." I say we have always had regard for the equities and, as a director, the Prudential wouldn't expect me to ask for anything more, so I can't conceive of any conflict there.

Acting Chairman KING. That is all. Call your next witness.

(The witness, Mr. Chubb, was excused.)

Mr. GESELL. Mr. Michael J. Cleary is the next witness.

Acting Chairman KING. Do you solemnly swear the testimony you are about to give in this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CLEARY. I do.

TESTIMONY OF MICHAEL J. CLEARY, PRESIDENT, NORTH-WESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

NORTHWESTERN MUTUAL LIFE—ELECTION AND SELECTION OF DIRECTORS—DUTIES AND STANDARDS OF DIRECTORS' CONDUCT—POLICYHOLDERS' COMMITTEE

Mr. GESELL. Mr. Cleary, you are president of the Northwestern Mutual Life Insurance Co.; are you not?

Mr. CLEARY. I am.

Mr. GESELL. How long have you been president?

Mr. CLEARY. October 1932.

Mr. GESELL. Were you connected with the company before 1932?

Mr. CLEARY. I was.

Mr. GESELL. How long have you been with the company?

Mr. CLEARY. 1919.

Mr. GESELL. How old a company is the Northwestern Mutual?

Mr. CLEARY. Eighty-one.

Mr. GESELL. How much insurance has it in force?

Mr. CLEARY. About three billion nine.

Mr. GESELL. What are its admitted assets?

Mr. CLEARY. A billion, two hundred thirty-odd.

Acting Chairman KING. Did you state the headquarters of your office?

Mr. CLEARY. Milwaukee, Wis.

Acting Chairman KING. And organized under the laws of—

Mr. CLEARY. Wisconsin.

Mr. GESELL. What type of insurance does it write?

Mr. CLEARY. Ordinary only.

Mr. GESELL. Ordinary life insurance?

Mr. CLEARY. Yes.

Mr. GESELL. No group, no industrial, no what we might call mass insurance?

Mr. CLEARY. No.

Mr. GESELL. What are the number of States in which it operates?

Mr. CLEARY. Forty-two and the District.

Mr. GESELL. How many trustees or directors of the company are there?

Mr. CLEARY. Thirty-six.

Mr. GESELL. I wish to offer for the record at this time a schedule showing the names of the trustees of the Northwestern Mutual Life Insurance Co., the date of their election, their period of service, their principal business connections, their other business connections, and their homes.

Acting Chairman KING. Have you seen the schedule?

Mr. CLEARY. I am sure I have.

Acting Chairman KING. As far as you know it is correct?

Mr. CLEARY. Correct, yes.

Acting Chairman KING. It may be received.

(The schedule referred to was marked "Exhibit No. 287" and is included in the appendix on p. 1583.)

Mr. GESELL. Now, am I correct in saying that nine of your trustees are elected every year for a term of 4 years?

Mr. CLEARY. That is correct.

Mr. GESELL. Your policyholders have one vote apiece?

Mr. CLEARY. That is correct.

Mr. GESELL. Your company is a mutual company, is it not?

Mr. CLEARY. Yes.

Mr. GESELL. Do you make any use of your agency force in getting votes at the annual elections?

Mr. CLEARY. None whatever.

Mr. GESELL. You give notice in accordance with the Wisconsin law in Wisconsin papers and on the policy, on the premium notice and on the premium receipt?

Mr. CLEARY. That is right.

Mr. GESELL. You get in a little less than 1 percent of the votes, is that correct?

Mr. CLEARY. Yes, sir.

Mr. GESELL. Am I correct in stating that proxies are prohibited under the Wisconsin law?

Mr. CLEARY. Have been since 1907.

Mr. GESELL. Must the majority of your directors be residents of Wisconsin?

Mr. CLEARY. Yes.

Mr. GESELL. Must they be policyholders?

Mr. CLEARY. They must be.

Mr. GESELL. All of your directors?

Mr. CLEARY. All of them.

Mr. GESELL. Must they have any particular amount of insurance in force?

Mr. CLEARY. No requirement except that they be insured for at least 1 year, and I think \$1,000 minimum.

Mr. GESELL. Has your company ever had a contested election?

Mr. CLEARY. Not so far as I know.

Mr. GESELL. Certainly not in recent years.

Mr. CLEARY. No.

Mr. GESELL. Under the Wisconsin law will you tell us what the procedure is in case of a contested election?

Mr. CLEARY. One hundred policyholders may nominate an independent ticket.

Mr. GESELL. One hundred policyholders are all that are necessary to get an independent ticket before the policyholders?

Mr. CLEARY. Yes. They file a certificate of their nominees with the insurance department and the secretary of the company. In case that happens, a form of ballot is prescribed by law.

Mr. GESELL. To save your voice, Mr. Cleary, is it correct to say that this ballot is a single ballot which lists both the independent ticket and what might be called the administration ticket?

Mr. CLEARY. That is true.

Mr. GESELL. One ballot with both tickets on it.

Mr. CLEARY. Yes.

Mr. GESELL. That ballot is sent at the company expense to every policyholder?

Mr. CLEARY. That is right.

Acting Chairman KING. The ballot is prescribed by law, is it?

Mr. CLEARY. Yes.

Mr. GESELL. And there is no use of proxies, even in a contested election?

Mr. CLEARY. Not at all.

Mr. GESELL. There is no use of the agency force in a contested election?

Mr. CLEARY. It is prohibited specifically.

Mr. GESELL. Each policyholder receives at the company expense this single ballot, listing the names of both tickets.

Mr. CLEARY. That is right, with an envelope in which he may vote by mail.

Mr. GESELL. Supposing there are nine directors, as would be the case, up for election on both tickets, and I am a policyholder. I would have, so to speak, nine votes. Would I be able to put all those votes on one man?

Mr. CLEARY. Yes.

Mr. GESELL. So that if there is an independent nomination and a group is interested in placing on the board some individual, by pooling their votes all against his name they have a much better chance of electing him, do they not?

Mr. CLEARY. They do.

Mr. GESELL. I would like to offer for the record, and also as a way of saving Mr. Cleary's voice, a copy of the Wisconsin law with respect to the procedure followed in contested elections, showing the form of the ballot prescribed by law, and other relative matter.

Acting Chairman KING. If there is no objection, it will be received.

(The Wisconsin law referred to was marked "Exhibit No. 288" and is included in the appendix on p. 1588.)

Acting Chairman KING. For the record may I inquire, how many policyholders have you in your company?

Mr. CLEARY. Approximately 700,000.

Acting Chairman KING. Scattered throughout the various States?

Mr. CLEARY. Yes.

Acting Chairman KING. Where is the residence of the greatest number?

Mr. CLEARY. The greatest amount of insurance is in force in the State of New York; Illinois second; Wisconsin, I think, third; and so it goes over the country.

Mr. GESELL. Mr. Cleary, how many meetings of the board of directors of your company are there a year?

Mr. CLEARY. Four.

Mr. GESELL. Am I correct in saying that the Wisconsin law prescribed that these directors must attend a certain number of meetings each year?

Mr. CLEARY. That is true.

Mr. GESELL. What is the law about that?

Mr. CLEARY. Three consecutive absences automatically removes a man from the board and makes him ineligible to reelection for a fixed period of time.

Acting Chairman KING. Would sickness be an excuse?

Mr. CLEARY. No; there is no excuse.

Mr. GESELL. If a man is ill, if a man wants to travel, if a man is very busy, if a man doesn't want to come, if he lives too far away—none of those things is an excuse?

Mr. CLEARY. None at all.

Mr. GESELL. Am I correct in saying that the operation of that law has resulted from time to time in eliminating from your board of directors men who do not show sufficient interest to attend three meetings?

Mr. CLEARY. It has.

Mr. GESELL. Also men who have fallen into bad health or by reasons of age or otherwise are unable to attend.

Mr. CLEARY. That is true.

Mr. GESELL. So that through this statute you do have an active board of directors in constant attendance on the affairs of the company.

Mr. CLEARY. I would say that was true.

Mr. GESELL. Is it fair to say that most of your directors attend at least three meetings a year?

Mr. CLEARY. My recollection is that the tabulation showed an attendance record of approximately 80 percent.

Mr. GESELL. Now we have already covered the fact, I think, that the majority of your directors must be residents of the State of Wisconsin.

Mr. CLEARY. Yes.

Mr. GESELL. With respect to the selection of men from outside the State, will you tell us what the policy of your company is in that selection?

Mr. CLEARY. We seek for a geographic distribution, for a vocational distribution, and really seek for men who represent a fair cross-section of the policyholders.

Mr. GESELL. First of all geographically, you try to place your directors all around the country?

Mr. CLEARY. Yes; as far as I know we never have two men from one State.

Mr. GESELL. Other than Wisconsin.

Mr. CLEARY. Yes; of course, that is compulsory.

Mr. GESELL. You try to get men who are not all bankers, or who are not all of a particular occupation or class, but who represent lawyers, doctors, merchants, teachers, and so forth.

ACTING CHAIRMAN KING. Don't complete the statement.

Mr. GESELL. Let me ask you this, Mr. Cleary. Supposing you have a vacancy somewhere out of the State of Wisconsin and you want to fill it. Let's say you have a New England man that you want to bring on your board. What kind of procedure does your company go through in selecting him? We have already said the man must be a policyholder.

Mr. CLEARY. Well, it varies, of course. We had a vacancy in Boston. We made up a list of New England policyholders, considerable in size.

Mr. GESELL. That was a list of 2,000 policyholders, wasn't it?

Mr. CLEARY. I think probably that many.

Mr. GESELL. What did you do with that list?

Mr. CLEARY. It was submitted to our trustee in Connecticut, to our agents in Massachusetts, and probably some of the other New England territory, with the purpose of finding a man that would seem to fit into the board from the Boston area.

Mr. GESELL. You mean, you took 2,000 policyholders of your company who came from this Boston area and submitted that list to representatives of your company in order that they could make a check of the qualifications of these 2,000 men to see who would be best suited for the directorship?

Mr. CLEARY. That was the purpose, sir.

Mr. GESELL. What sort of investigation was made in selecting a man off that list? What type of inquiry was made? Whom did you talk to, and so forth?

Mr. CLEARY. Our general agents in that territory, our trustee in Connecticut who was well acquainted with New England. My recollection is that an officer of the company went into the area and checked with policyholders, and probably others, as to the availability. (The vice chairman, Representative Sumners, assumed the Chair.)

Mr. GESELL. Coming to this question of selection from another point of view, do you look to see whether or not the man is in any way subject to becoming in a conflicting position if he comes on the board of your company?

Mr. CLEARY. We have frequently given thought to that phase of it, and on several occasions eliminated men from consideration because of that factor.

Mr. GESELL. Since conflicting interest is subject to a difficult definition, will you tell us just the type of men and the type of situations that have arisen where you have felt that you had to eliminate a man because of this conflicting relationship?

Mr. CLEARY. Well, I might use the case of Mr. Way, of the Milwaukee Electric Co. Mr. Way is president. At the time his name was considered the company owned between eight and nine million

dollars of securities of that company. We had considered the question as to whether the holding might not be too large, what our attitude would be in the event of refunding. It was felt that it would be embarrassing to Mr. Way, and possibly to the company. We dropped his name.

Mr. GESELL. That was a case simply where your company had a large investment in his company, was it not?

Mr. CLEARY. Yes.

Mr. GESELL. Well now, what about any other instances that you have?

Mr. CLEARY. Oh, I don't know that I recall specific detail, Mr. Gesell, on another case.

Mr. GESELL. Do you remember the case of Mr. Fred W. Sargent of your company?

Mr. CLEARY. Yes.

Mr. GESELL. He became a trustee, did he not?

Mr. CLEARY. Yes.

Mr. GESELL. He was president of the Chicago & North Western Railroad Co.?

Mr. CLEARY. Yes.

Mr. GESELL. Your company had an investment in that railroad prior to his coming on the board?

Mr. CLEARY. Yes.

Mr. GESELL. His railroad got into difficulties.

Mr. CLEARY. Yes.

Mr. GESELL. The securities went into default.

Mr. CLEARY. Yes.

Mr. GESELL. Your company still held them, and as the result, the situation was felt to be such as to warrant Mr. Sargent's leaving the board of directors of your company.

Mr. CLEARY. That is true.

Mr. GESELL. What about banking and investment banking connections, Mr. Cleary, do you seek bankers and investment bankers as your trustees?

Mr. CLEARY. No. Five or six years ago we had a vacancy in New York and my recollection is that we announced to the agents and others with whom we considered a selection that we preferred to select outside of the banking and the investment house group.

Mr. GESELL. Why was that, Mr. Cleary?

Mr. CLEARY. Well, we want to be perfectly free, naturally, without any embarrassment in buying and selling securities. We also want to be perfectly free in dealing with our deposits in the New York area. Probably supercautious, but——

Mr. GESELL (interposing). You mean that there was the prospect that at some time if you had a banker on your board, that you would want to deposit money in his bank, and then his presence on your board would be embarrassing, or you might want to buy securities through some investment banking house and the presence of that man on your board would be embarrassing.

Mr. CLEARY. That is a possibility, and I imagine one of the viewpoints that entered into our conclusion.

Mr. GESELL. I notice another instance here on a memorandum relating to the selection of a Chicago trustee for your company in 1935, where a gentleman was eliminated by reason of a conflict of

interests. Mr. Albert F. Wetten. Are you familiar with that case, and why he was eliminated from consideration?

Mr. CLEARY. I am familiar with the existence of the case, and my recollection is that Mr. Wetten's activity in the real estate field, which is very large and widespread, might bring him in conflict with company interest, as we, too, owned some Chicago real estate, have mortgages on some very sizable properties there.

Mr. GESELL. This man was a prominent real estate operator in Chicago and your company was a prominent investor in real estate and owner of real estate in Chicago, and that in itself was felt by the trustees sufficient reason not to bring this man on the board.

Mr. CLEARY. I think that is a fair statement of the facts.

Mr. GESELL. I notice that another man was eliminated because he was too busy. Is that because he is unable to give enough attention to the affairs of the company, is that what you mean by "too busy"?

Mr. CLEARY. Well, we have always taken the position that the law requires attendance at meetings, that the trusteeship carries responsibility, and naturally we don't want to put men on who may be forced off by failure to function.

Mr. GESELL. I noticed that two men who were lawyers were eliminated. Why was that? Did you have too many lawyers on your board?

Mr. CLEARY. In what case was this?

Mr. GESELL. In the selection of the Chicago trustee, sir.

Mr. CLEARY. We have no grievance against lawyers. I used to pretend to be one myself. I think we did discuss in this case the rather wide variety of interests that we have in Chicago and preferred to be quite free in the decision as to who would represent us legally. I recall that now.

Mr. GESELL. On this whole matter of your trustees and directors doing business with your company, directly or indirectly, what position has your company taken in that regard?

Mr. CLEARY. We have had a very rare instance, outside of some legal business, where that question ever could come up.

Mr. GESELL. Would your company feel free to give its fire-insurance premiums to a fire insurance company with which one of your trustees was connected, regardless of whether that trustee had or had not solicited the business?

Mr. CLEARY. Well, that is a theoretical question, Mr. Gesell.

Mr. GESELL. I am simply trying to get at your company's policy.

Mr. CLEARY. Then ask me about what we do with our fire insurance.

Mr. GESELL. You distribute your fire insurance widely among many companies; do you not?

Mr. CLEARY. Yes; and through local agents, not through direct dealing with the company, except in the case of a contract with the National Fire of Hartford which provides automatic coverage if a borrower lapses insurance or otherwise the insurance is terminated.

The VICE CHAIRMAN. May I ask one question at this point? Your policy of doing business with the local agent, is that for the purpose of protecting the interests of your concern or for helping you get business?

Mr. CLEARY. Well, I wouldn't say it was either. It is doing business, I might say, in the normal way. We are solicited by practically every fire-insurance agency in Milwaukee. We place about \$6,000,000

of fire insurance on our home office property. That business is divided among some fifty agencies.

The VICE CHAIRMAN. The general agencies?

Mr. CLEARY. Well, they are local fire-insurance agencies.

The VICE CHAIRMAN. What I am trying to get at is, if you should do business, for instance, in the city of Dallas, you would there do that business through the local agent in the city of Dallas as distinguished from doing it through some company that he represents?

Mr. CLEARY. Yes.

The VICE CHAIRMAN. Is that for the purpose of helping you to establish yourself locally and get business and tie in with the community or for the purpose of security with your organization?

Mr. CLEARY. I don't know what discussions resulted in the policy, Judge.

The VICE CHAIRMAN. But I imagine you know why you do it.

Mr. CLEARY. The practice was established long before I had any connection.

The VICE CHAIRMAN. Then I will ask you why do you continue.

Mr. CLEARY. Because we think it is good policy.

The VICE CHAIRMAN. That is what I thought.

Mr. GESELL. Mr. Cleary, apart from lawyers and banks, we will come back to that in a moment, does your company to your knowledge do any business with any company with which one of its directors interlocks?

Mr. CLEARY. We have.

Mr. GESELL. What type of cases have those been? Apart from investments, have you done any business? We will come to the question of investments in a second. You have bought supplies and that type of thing?

Mr. CLEARY. No; so far as I am able to determine. As the result of a rather careful check, no director of the company and no officer of the company is connected with an organization from which we buy supplies, and we buy great quantities, of course, of paper, labor-saving machinery and other equipment and supplies for the home office.

Mr. GESELL. Now, you have occasionally——

The VICE CHAIRMAN (interposing). I don't believe he fully answered your question. Is there anything further on that point. You asked a rather important question.

Mr. GESELL. We asked in respect to supplies. What about advertising? Have you given advertising business to anyone connected through an interlocking directorship?

Mr. CLEARY. Not at all; no connection.

Mr. GESELL. Have you given any of your casualty insurance, fire insurance, or other forms of miscellaneous lines of insurance to any company with which your board interlocks?

Mr. CLEARY. We do no business directly with any company.

Mr. GESELL. With which your company interlocks?

Mr. CLEARY. No.

The VICE CHAIRMAN. Do you do business with local agents representing companies on which you have directors.

Mr. CLEARY. I think we have two directors who are also directors of the Northwestern National Fire Insurance Co. It is probably that some of the agents to whom we give business have placed some with the Northwestern National Fire.

Mr. GESELL. In the case——

The VICE CHAIRMAN (interposing). Let's clear that up. But in that case you do not have your business written by an agent, having in mind that he may be doing that business with this company?

Mr. CLEARY. Not at all.

Mr. GESELL. In the case of the bank deposits, am I correct in saying that your company has six principal bank deposits at the present time?¹

Mr. CLEARY. Yes.

Mr. GESELL. You have two in Milwaukee with the First Wisconsin National Bank and the Marine National Exchange Bank. You have two in Chicago with the Northern Trust Co. and the First National Bank of Chicago. You have two in New York with the Bankers Trust Co. and the Chase National Bank. Is that correct?

Mr. CLEARY. That is correct.

Mr. GESELL. Now, your company interlocks with none of the Chicago or New York banks, but interlocks with both of the Milwaukee banks.

Mr. CLEARY. That is correct.

Mr. GESELL. The interlocking connection with those two Milwaukee banks has occurred since the deposits were made in those banks by your company originally?

Mr. CLEARY. Yes; that is true.

The VICE CHAIRMAN. Let's catch those dates, if you don't mind.

Mr. GESELL. Am I correct in saying that the accounts in the Marine National Exchange Bank and the First Wisconsin National Bank, or their predecessor institutions, are of long standing and antedate the election of any of your trustees who interlock with those banks?

Mr. CLEARY. That is true.

Mr. GESELL. Am I also correct in saying that your company has adopted a policy of maintaining equal balances in the Milwaukee, Chicago, and New York banks, and have not favored any bank as opposed to any other bank?

Mr. CLEARY. Substantially equal balances; yes. There is a daily transfer.

Mr. GESELL. In order to keep those balances equal. Is that correct?

Mr. CLEARY. Yes.

Mr. GESELL. And you don't put a particularly large deposit in either of these two Milwaukee banks with which you interlock?

Mr. CLEARY. No; and I may say that we substantially are compelled to use the two Milwaukee banks. We have three what might be termed large banks in Milwaukee. We have a small dormant account with one. We have active accounts with the other two that you have mentioned. That is a necessity to our business, and has been over the years.

The VICE CHAIRMAN. May I ask a question on that point? The one Milwaukee bank which is also a strong bank, in which you have a smaller deposit, is that a bank where there is or is not an interlocking directorate?

Mr. CLEARY. There are, I think, two trustees who are directors of that smaller bank; that is, the bank with the smaller deposit.

¹ See "Exhibit No. 289", appendix, p. 1591.

Mr. GESELL. And you have made no deposit in that bank. You have no deposit at the present time?

Mr. CLEARY. I think \$100,000. That is a dormant account. That is the Marshall & Ilsley Bank.

Mr. GESELL. You have a deposit of \$100,000 there.

You interlock with all three of the banks in Milwaukee?

Mr. CLEARY. That is correct.

Mr. GESELL. I notice that in 1938 you had \$1,736,000 in the First Wisconsin National Bank; \$1,718,000 in the Maine National Exchange Bank; \$1,734,000 in the Chase National Bank; \$1,572,000 in the Bankers Trust Co.; \$1,560,000 in the First National Bank of Chicago; and \$1,557,000 in the Northern Trust Co. Is that close evenness of deposits maintained by your company at all times as a matter of policy?

Mr. CLEARY. It is.

Mr. GESELL. I would like to offer this schedule showing the deposits maintained in these banks from 1933 to 1938 in the record after it has been verified by Mr. Cleary. Is that a correct schedule?

Mr. CLEARY. I am willing to accept that as correct. The figures you read are the average daily figures for 1938 as I understand it.

(The schedule referred to was marked "Exhibit No. 289" and is included in the appendix on p. 1591.)

Mr. GESELL. You keep these deposits even by transfer of funds on a daily basis.

Mr. CLEARY. Yes.

Mr. GESELL. You referred to the fact that on occasion you have done some business with law firms, members of whom were directors of the company.

Mr. CLEARY. That is true.

Mr. GESELL. Does the schedule which I show you reflect the total amount of business of that character that you have done?

Mr. CLEARY. Yes, sir; it does.

Mr. GESELL. I notice the fees are rather small. Was there some special reason why this business was given at all? What was the character of the business?

Mr. CLEARY. Largely mortgages that came into trouble; occasionally a contest regarding liability under a policy. That is very infrequent, however.

Mr. GESELL. Was any of this business solicited from your company by the trustees who are also partners?

Mr. CLEARY. I would say no. Certainly no one, either the trustee or the partners, in no instance, spoke to me, and I can only repeat Mr. Swanson's, the general counsel's, statement that none solicited him.

Mr. GESELL. I wish to offer this schedule for the record.

(The schedule referred to was marked "Exhibit No. 290" and is included in the appendix on p. 1591.)

Mr. GESELL. Now just in passing, Mr. Cleary, is your company a member of the Association of Life Insurance Presidents?

Mr. CLEARY. No.

Mr. GESELL. Is there any particular reason why your company has not joined that association?

Mr. CLEARY. No. We are a bit far away and we maintain very friendly and satisfying contact with the association.

Mr. GESELL. Are you providing it with such statistical material as they want for their studies?

Mr. CLEARY. Yes; always.

Mr. GESELL. I want to ask you now about your policyholders' examining committee, and ask you to explain to the committee just what that policyholders examining committee is and how it operates.

Mr. CLEARY. I hate to inflict this voice on you gentlemen, but under the bylaws a policyholders' examining committee is chosen each year. That committee is made up of five men who have no connection whatever with the company, except the fact that they are policyholders. Under the bylaw it is the duty of this committee to thoroughly examine into the plans, methods, policies, and results of the company. It is authorized to employ an audit company. It does that each year, except in the years when the State insurance departments are examining the company. The committee meets about November 1 each year and its audit company is put to work promptly. It holds usually three meetings, running from 2 to 3 days. The audit company is at work continuously, winding up its task in the neighborhood of January 20, having spent approximately 2½ months on the job.

Mr. GESELL. Well now I want to show you a schedule which shows the members of the policyholders examining committee since 1929, their occupations, their address, their age, and by whom they were suggested, and ask you whether that is a correct schedule? ¹

Mr. CLEARY. That is.

Mr. GESELL. Now, I notice that in addition to Wisconsin representatives of the policyholders' examining committee you have had five from New York, four from Illinois, three from Minnesota, two from Michigan, two from Missouri, and one apiece from Kentucky, Arizona, North Carolina, Indiana, California, Oklahoma, Pennsylvania, Tennessee, Washington, Iowa, Massachusetts, Ohio, South Dakota, and the District of Columbia. I gather from that that you attempt to distribute your committee around the country to represent each time a different group or different interest of the policyholders?

Mr. CLEARY. That is true.

The VICE CHAIRMAN. May I ask a question there? Who is it you distribute? The members of the committee?

Mr. GESELL. These are members of the policyholders' examining committee. I notice that these members have been on occasions attorneys, presidents of banks, ranchers, deans of agricultural colleges, manufacturers, business managers, professors of economics; do you try to obtain a broad vocational distribution of people on this committee?

Mr. CLEARY. We do.

The VICE CHAIRMAN. What do they do? How do they do it?

Mr. GESELL. I am covering that, Mr. Chairman, in just a second. Would you prefer to go ahead?

The VICE CHAIRMAN. Yes.

Mr. GESELL. This committee is selected in what way?

Mr. CLEARY. We receive each year, I should say, 25 to 40 names from agents, general agents, sometimes a suggestion outside of the agency force, of men that would seem in the eyes of this person to fit on this committee. Out of the names that have been suggested by agents, trustees, others, the committee is chosen with the purpose of

¹ See "Exhibit No. 291", appendix, p. 1592.

diversifying geographically, diversifying vocationally, diversifying in size of policyholder interest.

Mr. GESELL. Now, is the committee ultimately, after these names have been suggested, chosen by the trustees of your company?

Mr. CLEARY. Names are recommended to the board of trustees by a nominating committee?

Mr. GESELL. Of the trustees?

Mr. CLEARY. Of the trustees, and chosen finally by the trustees as a board.

Mr. GESELL. Now, who pays the expenses of this committee?

Mr. CLEARY. The company.

Mr. GESELL. The company pays for the transportation of the committee to the meetings, for the audit of its affairs, for the printing of such material as is necessary, and all of those costs?

Mr. CLEARY. That is true.

Mr. GESELL. What does that run to, about, a year?

Mr. CLEARY. The audit, in the neighborhood of \$10,000. The policyholders' per diem and travel probably \$2,500, total, per year.

Mr. GESELL. Now, this committee then meets in formal session, does it not?

Mr. CLEARY. It does.

Mr. GESELL. It selects the auditor to make the examination of the company's affairs?

Mr. CLEARY. It does.

Mr. GESELL. Does the company in any way attempt to dictate or influence the selection of the auditor who is to make this examination on behalf of the policyholders?

Mr. CLEARY. Absolutely not. No suggestion of any kind is made by officers or trustees. The committee examines or interviews from ten to a dozen different nationally known audit companies and from that list selects a company to function with it.

Mr. GESELL. I notice on the list that they have chosen in recent years Peat Marwick, Mitchell & Co.; Arthur Anderson; Haskins & Sells; Price, Waterhouse & Co.; Pace, Gore & McLaren; the Audit Co. of New York, and several other companies?

Mr. CLEARY. Yes.

Mr. GESELL. Now, after the auditors have been appointed by the committee who determines the specifications of the audit that will be made?

Mr. CLEARY. The audit company and the committee.

Mr. GESELL. Does the company participate in any way in determining the type of audit that is going to be made of its affairs on the part of the policyholders?

Mr. CLEARY. Absolutely no.

Mr. GESELL. Now, is it the practice of this committee to sit in formal sessions?

Mr. CLEARY. Yes.

Mr. GESELL. Does the committee call before it various executives and officers of the company and question them concerning the policies and the operations of their divisions?

Mr. CLEARY. It usually calls all of the so-called senior officers and many of the junior officers for questioning and discussion.

Mr. GESELL. You mean they might take the man in the farm mortgage loan division and call him up and ask him about the distri-

bution of his loans, how they are made, and how foreclosures are coming, things of that character?

Mr. CLEARY. Yes; and then call in his farm man, his city man, his sales manager, and so forth, so that it does not mean just the head of the department, but major subordinates also.

Mr. GESELL. They go right down into the daily operations of the company and question people concerning the way the company is managed?

Mr. CLEARY. That is true.

Mr. GESELL. Now, am I correct in saying that the auditors submit a preliminary report of their findings, which is the basis for consideration by the committee, and that the committee then gives additional instructions as to the types of transactions which it wants followed up and more thoroughly examined, and that then a final report is submitted by the auditors.

Mr. CLEARY. I understand that to be the practice; yes, sir.

Mr. GESELL. Now, does the policyholders' committee prepare a report of its findings?

Mr. CLEARY. They do.

Mr. GESELL. Is that report sent to all of the policyholders?

Mr. CLEARY. It is.

Mr. GESELL. Who writes the report?

Mr. CLEARY. The policyholders' committee.

Mr. GESELL. The company does not have anything to do with the writing of that report?

Mr. CLEARY. Absolutely not.

Mr. GESELL. Is that report then sent at the expense of the company to the policyholders?

Mr. CLEARY. It is. I might add the auditors' report also is sent to the policyholders.

Mr. GESELL. And this is a yearly proposition, is it not?

Mr. CLEARY. Yes.

Mr. GESELL. Now, I notice from examining the minutes of these meetings that they discuss very varied problems and I want to ask you whether this list which I am about to read you would be generally the type of thing which the policyholders' committee inquires into: Labor and personnel problems; policies in the mortgage loan field; the management of the real estate; the securities account; the policyholders' ability to understand the financial reports; the ability of every second man in line in a department to take over the work of his superior, should his superior die or be removed; the interest rates on policy loans, the reorganization of the comptroller's department; the maximum single safe investment which the company may make; the agency problem; the relations of the managers to the agents and their compensation; the advertising budget; the limitations and the amount of F. H. A. loans to \$10,000,000; the fees for medical examination; substandard risks; general agents' loans and amounts thereof to the company; the salaries of the officers and clerks; the acquisition cost of insurance; the efficiency expert surveys into management of the company; the loading of premiums and mortality experience; real estate for foreclosures; pension plans—things of that character?

Mr. CLEARY. Yes.

Mr. GESELL. They go into it rather thoroughly, do they not?

The VICE CHAIRMAN. How long does it take to work through that agenda?

Mr. CLEARY. The committee itself is there three times, usually from 2 to 3 days each time.

The VICE CHAIRMAN. Two to three times a year?

Mr. CLEARY. From November 1 to January 20, approximately.

The VICE CHAIRMAN. You mean they come and then go back home and come again?

Mr. CLEARY. Yes; the audit company is on the job continually.

The VICE CHAIRMAN. They come in and put the auditor on the job, do they, and do they attend to any other business when they come the first time?

Mr. CLEARY. Usually they call in several.

They call in several officers. In recent years of course they have put emphasis upon the investment departments.

The VICE CHAIRMAN. Now, may we get back—I want to get this a little more clearly in my mind. As these people come from the body of your policyholders, they are recommended in the first instance by your agent in the field who believes that this man John Smith or Bill Brown might be a good man on the committee?

Mr. CLEARY. Yes; largely.

The VICE CHAIRMAN. Do you make some independent selection? Do your trustees make any independent selection?

Mr. CLEARY. Oh, we get suggestions from officers, trustees, sometimes from other sources.

The VICE CHAIRMAN. Well, my question was do you make any independent determinations outside of the recommendations that come in from the field?

Mr. CLEARY. Oh, indeed; we check up on these.

The VICE CHAIRMAN. I did not ask you about the check; I asked if you make independent determinations as distinct from those that come in from your agents in the field.

Mr. CLEARY. You mean do we consider names other than those suggested?

The VICE CHAIRMAN. Yes; the names that are suggested to the individual members of your trustees.

Mr. CLEARY. Oh, yes; we do.

The VICE CHAIRMAN. What percentage of this group of people, what is the answer now?

Mr. CLEARY. One member of this committee is always chosen in conference with or at the suggestion of the insurance commissioner of the State. That is one outside.

The VICE CHAIRMAN. One man comes in representing the insurance commissioner?

Mr. CLEARY. Partly so.

The VICE CHAIRMAN. The big partly so, too, is it not? I am just trying to get the picture.

Mr. CLEARY. He is either suggested by or selected in conference with the commissioner so that he is semipublic.

The VICE CHAIRMAN. Then there are members of this group who are selected from recommendations that are made by individual members of the trustees?

Mr. CLEARY. Yes.

The VICE CHAIRMAN. What percentage would that be?

Mr. CLEARY. Oh, I should say a small percentage.

The VICE CHAIRMAN. But they are not small in influence when seated with the group usually, are they?

Mr. CLEARY. Which, who?

The VICE CHAIRMAN. Those who are selected by the trustees? I mean do you not have to have somebody who knows the general run of your business pretty well when these men get up there?

Mr. CLEARY. In recent years we have a holdover, one or two holdover members, so as to permit the committee to start functioning promptly and with more direction. From this list, Judge, I would say that a large percentage of the men chosen are first suggested by agents in the field.

The VICE CHAIRMAN. How many constitute the group? How many persons?

Mr. CLEARY. Each committee?

The VICE CHAIRMAN. Yes; each group as it meets, how many persons?

Mr. CLEARY. Five.

The VICE CHAIRMAN. I do not believe I understand. There are only five of these representatives of the policyholders who meet together?

Mr. CLEARY. The committee consists of five members.

The VICE CHAIRMAN. Now, that five—there is one that represents the insurance commissioner in part at least?

Mr. CLEARY. Yes.

The VICE CHAIRMAN. And there are some that come up from the body of the policyholders upon recommendations made in the field?

Mr. CLEARY. (Nods his head.)

The VICE CHAIRMAN. What percentage of that five would they be in the ordinary run of things?

Mr. GESELL. I might help you.

The VICE CHAIRMAN. I would rather the witness would help me.

Mr. GESELL. We have an exhibit which shows every policyholders committee since 1929.

The VICE CHAIRMAN. Just wait a minute. I am taking care of this myself right now.

Mr. CLEARY. I should say that an average of three of each committee is chosen as the result of a suggestion by the agency force, that is three of the five. One through the insurance department contact, the other through suggestion of trustee, officer, or otherwise.

The VICE CHAIRMAN. That gives us a pretty clear picture of the construction of that personnel, and how many of the five that assemble are usually holdovers from some preceding group?

Mr. CLEARY. One.

The VICE CHAIRMAN. That gives you four new persons each time?

Mr. CLEARY. Yes.

Mr. HINRICHS. Is the holdover now the one who is characteristically suggested by the trustees or officers?

Mr. CLEARY. No.

The VICE CHAIRMAN. I was going to ask that. What I want to know is—well, the same thing. Who determines the hold-over?

Mr. CLEARY. In other words, how is the hold-over member determined upon?

The VICE CHAIRMAN. That is the next thing in the picture.

Mr. CLEARY. In many cases it is a question of elimination, of getting a member of last year's committee to consent to serve again; in some cases such as the last 2 or 3 years, we have chosen the Milwaukee member, and I might say there is always a Milwaukee member. It is practically a necessity to keep in constant touch with the auditors, with the company, and with the other members of the committee while they are back home between meetings. I do not know that I could be specific as to any policy; it is largely a question of who is willing to serve, who has shown the type of interest that would make him a good hold-over member.

The VICE CHAIRMAN. Who determines whether he would be a good hold-over member or not?

Mr. CLEARY. Oh, I suppose largely the officers of the company, because they are the ones—

The VICE CHAIRMAN. Could you eliminate the word "suppose," or not?

Mr. CLEARY. I will do that; yes.

Representative REECE. While you were being interrogated I glanced at the policyholders' committees for a number of years and it appeared to me that there had been no hold-overs until the last 3 years.

Mr. CLEARY. I think a little further back than that, Mr. Congressman.

Mr. CLEARY. The bylaw was amended, as I recall, in 1933, providing for the hold-over, and on the 1933 committee Mr. Dempsey, who had served on the 1932 committee, held over. That was the first hold-over.

Mr. FRANK. Mr. Gesell, may I ask whether the questionnaire indicated that any other insurance company of comparable size has a similar committee, or anything of similar character.

Mr. GESELL. I know of none. Do you know of any, Mr. Cleary?

Mr. CLEARY. I do not; no.

Mr. GESELL. I would like to offer for the record this schedule showing the composition of the policyholders' examining committee for '29 to '38, their occupation, their address, their age, and who they were suggested by.

(The schedule referred to was marked "Exhibit No. 291" and is included in the appendix on p. 1592.)

Representative REECE. May I ask if the Wisconsin law requires such a committee?

Mr. CLEARY. It does not. It is a voluntary committee.

Mr. GESELL. This is a matter of company policy entirely, is it, Mr. Cleary?

Mr. CLEARY. It is.

Mr. GESELL. Is this document I show you the form of report which was sent by the policyholders' committee to the policyholders at the end of their audit in '38.

Mr. CLEARY. Yes.

Mr. GESELL. I wish to offer it for the record.

(The report referred to was marked "Exhibit No. 292" and is included in the appendix on p. 1595.)

Mr. GESELL. Now, in view of the recent questions let me ask you this: Does the company prepare some kind of set program for this

policyholders' committee when they meet, so it all runs off like clock-work, or does the policyholders' committee itself determine what it wants to go into and what it is interested in?

Mr. CLEARY. The company in no way attempts to prepare for or suggest to this committee its program.

Mr. GESELL. May I ask you this: Do you feel that this procedure which your company has adopted results in putting an effective check upon each man in your company which he has in the back of his head at all times as he conducts the day to day business of the company?

Mr. CLEARY. I have said a good many times that we are not permitted to—decide that we own the company. We are kept conscious of the fact that we are hired men up there and that the policyholders are the boss. These fellows put us through real examinations with reference to what we are doing, how we are doing it, what results we are getting, why we aren't doing something different.

Mr. GESELL. In conclusion I would like to offer for the record the minutes of the meetings of the examining committee of policyholders of the Northwestern Mutual Life Insurance Co. held in connection with the examination in 1938.

(The minutes referred to were marked "Exhibit No. 293" and are included in the appendix on p. 1635.)

Mr. GESELL. I have no further questions of this witness.

Mr. HINRICHS. Mr. Cleary, you made it very clear that you tried to avoid any kind of interlocking relationship between your trustees and the business activities of the company. In the process of eliminating people who might have an interlocking interest, has it ever been necessary for you to turn down a man that you regarded as superbly qualified and accept somebody whose qualifications seemed to you to be inferior to those that you could have had if it were not for that interlocking relationship?

Mr. CLEARY. I wouldn't say that. My experience is that there is no superman. You can always find a duplicate.

Mr. HINRICHS. That leads me to another question. Do you feel that this policy of yours, of avoiding interlocking directorates, could be successfully applied 14 or 15 or 16 times over in building a similar Board of Trustees provided the policy were carried out not instantaneously, but over a period of time? It is a question of, are there a sufficiently large number of men available whose interests don't interlock? Would it be your judgment that this same policy could be applied in many other situations of companies of your size or larger?

Mr. CLEARY. Well, of course, I am just guessing. I should think it could be.

Mr. GESELL. May I ask you this one other question right along that line. Is it not a fact that on several occasions a vacancy on your Board of Trustees has been filled by a man who had previously served as a member of the policyholders' committee, and that the policyholders' committee in a way is turning out to be a proving ground for directors?

Mr. CLEARY. That is true.

Mr. GESELL. I have no further questions.

The VICE CHAIRMAN. Are there any further questions?

Mr. PATTERSON. Do you suppose that your trustees are satisfied rather completely with this Wisconsin law?

Mr. CLEARY. In what respect?

Mr. PATTERSON. As to its provisions in protecting you. Do you like the Wisconsin law?

Mr. CLEARY. I do. I think our trustees generally are in sympathy with it. I have heard no complaints against it.

Mr. PATTERSON. Have you ever had suggestions from the trustees that the law might be amended?

Mr. CLEARY. Not so far as I can recall.

Mr. GESELL. Does the Wisconsin law prescribe qualifications for trustees?

Mr. CLEARY. They must be policyholders, must have been a policyholder for at least 1 year and own, as I recall, not less than a \$1,000 policy.

Mr. GESELL. Those are the only qualifications?

Mr. CLEARY. The only qualifications, further, that at least half must be residents of the State.

Mr. PATTERSON. Between meetings of your board you have an executive committee that acts with full power?

Mr. CLEARY. With certain limitations—election of officers, amendment of the bylaws.

Mr. PATTERSON. The usual limitations, but they really run the company.

Mr. CLEARY. They run the company.

Mr. PATTERSON. Mr. Cleary, I may have missed it, but what is the compensation of your trustees?

Mr. CLEARY. As a trustee, \$25 per diem plus expenses for attending trustees' meetings. The executive committee member gets \$2,500 per year. The finance committee member, who meets regularly at least twice a week and as often in addition to that as there is occasion, gets \$6,000 a year. No officer, of course, receives any compensation for service on committees other than his fixed salary.

Mr. PATTERSON. Then these trustees really have life jobs unless they are weeded out by absence as prescribed by the Wisconsin law, or for the reasons that you gave this morning?

Mr. CLEARY. By and large, that is true.

Mr. O'CONNELL. Mr. Cleary, would it be fair to say that the testimony that we have listened to this morning, and your opinion, is that your company is an example of a mutual company in which, well, let's say, mutuality actually works, and one which would tend to indicate that there is nothing inherently impossible about the operation of a mutual company in the broad sense that I am speaking of, one in which the mutuality works? I have had a feeling that the testimony that you have given this morning and the exposition of the way your company actually operates is somewhat in contrast to some of the material we have been hearing a little bit about before, and I wonder if you would think it a fair statement that your company is one of a type I have suggested.

Mr. CLEARY. I wouldn't like to make comparisons, and I do not make comparisons. We believe that our set-up is practical, that it functions efficiently, that it does, in as large a degree as possible, recognize the fact of mutuality.

Mr. O'CONNELL. Thank you.

Mr. GESELL. I have no further questions.

Representative REECE. Do the policyholders' committees frequently make suggestions with reference to the policy and conduct of the company?

Mr. CLEARY. Yes, yes. I think it might be more accurate to say they inquire into, in detail, such matters as the dividend policy of the company, the investment policy as it applies to securities, to mortgages, policies of management in case of trouble in the bonds, in the mortgages. I think it would be accurate to say that, by and large, they have not been critical of the program when they have probed into it; but they do with frequency make suggestions, sometimes in writing, for transmission to the board of trustees, sometimes where the suggestions are more or less routine by bringing the officer, in whose department the suggestion applies, in before the committee and discussing it with him and making the suggestion directly to him.

Mr. BERGE. May I ask, are those suggestions sometimes in the direction of recommending some changes in policies or practices of the company?

Mr. CLEARY. Oh, yes; with some frequency.

Mr. BERGE. And those suggestions are sometimes followed, or often followed?

Mr. CLEARY. Often followed, sometimes rejected because of the unworkability—the theory sounds fine, but in practice it sometimes won't work.

Mr. BERGE. But they are taken seriously by the management?

Mr. CLEARY. They are.

The VICE CHAIRMAN. That is a field I want to explore a little bit myself. This committee, of course, is interested primarily in finding out the facts, and we asked you gentlemen here to help us. That is what we want. As one member of the committee, I can appreciate the very great difficulty of a scattered lot of policyholders, maybe running up around several hundred thousand, really and actually controlling a business centered away off somewhere, dealing in amounts of tremendously big figures, and running the details of management. Has any important suggestion come up to the management from the source indicated which the management has adopted?

Mr. CLEARY. I think so, Judge. You take the committees for the last 4 or 5 years have raised the question, discussed it with the officers, of so-called jumbo loans, putting too much money in one spot, either in a mortgage or in a bond issue, urged the importance of diversification. In considerable degree the committee might be credited with an expansion of research in connection with security investments, security holdings, and so forth. Frequently they make studies of that kind and suggestions.

The VICE CHAIRMAN. You mean, if I may interrupt, that it had not occurred to the management, the wisdom of distributed investments and loans?

Mr. CLEARY. Oh, there is no question about it having occurred to the management, but probably made somewhat more specific in the mind of the management as a result of these men's discussion of it, and an expression of their views.

The VICE CHAIRMAN. Well, now, this group, this advisory board, is suggested by your employees in the field; it comes from the managing agency of the Government in your State; or comes from the officers of the company. I can see the value of getting people in the field, and

that might contribute something to making effective the mutual features of your organization. But before you leave, and we are closing this part of it soon, I haven't myself as an individual member come to any conclusion as to how a really effective, workable machinery could be put into operation which would actually give this distributed body of policyholders the power to control the management of a mutual concern, and I am not certain that if they had the power they could wisely exercise it. Those are the things that present themselves to my mind.

Now, one company can do it one way and another do it another way. You have this advisory group that comes from these sources indicated and somebody else doesn't have them, but the great big difficulty stands in my mind, even at the conclusion of this very illuminating, helpful presentation, how can these policyholders really control under any plan? I feel we are all indebted to the gentlemen of the insurance companies and others who have come here during this hearing. This has been a good presentation.

I understand that this phase of the investigation is now concluded and it is not certain when the committee will resume. It will determine that later and then will resume at the call of the Chair. I understand that is the announcement which it is desired that I make.

(Whereupon, at 12:05 p. m., an adjournment was taken pursuant to the call of the chairman.)

APPENDIX

EXHIBIT No. 215

[Prepared by the Securities and Exchange Commission insurance study staff]

LIFE INSURANCE IN FORCE THROUGHOUT THE WORLD

[Monetary units of foreign countries converted to equivalents in thousands of dollars]

Companies of—	Dec. 31, 1936	Dec. 31, 1937	Companies of—	Dec. 31, 1936	Dec. 31, 1937
United States ¹	\$104,667,206	\$109,572,451	Finland.....	\$245,839	-----
Canada.....	7,172,444	7,349,276	Poland ²	136,389	-----
Mexico ³	102,966	-----	Hungary.....	⁴ 162,000	-----
Brazil ⁵	179,186	-----	Rumania ¹	71,658	\$78,625
Chile.....	51,850	67,227	Bulgaria ¹	57,222	61,681
Peru ¹	24,368	-----	Yugoslavia.....	41,398	-----
Colombia.....	16,757	-----	Greece ¹	26,040	-----
British Guiana.....	5,894	6,565	Portugal.....	23,649	-----
United Kingdom.....	16,290,297	16,789,824	Japan ¹	4,971,289	5,584,355
Germany.....	7,334,600	7,919,400	India.....	726,012	-----
France.....	2,891,422	2,096,253	Java ¹	154,258	138,641
Netherlands.....	2,004,470	-----	Union of South	-----	-----
Italy ¹	1,953,109	1,580,480	Africa ²	981,928	-----
Switzerland.....	1,741,351	1,368,257	Australia ¹ ²	1,393,807	-----
Sweden.....	1,556,556	1,601,903	New Zealand ¹	542,583	-----
Denmark.....	544,081	-----	Other countries ³	6,729,808	-----
Norway.....	468,604	-----			
Austria.....	405,758	-----	Total.....	164,000,000	-----
Czechoslovakia.....	385,201	351,513			

¹ Not including Government war-risk insurance.

² Amounts cover insurance in force on lives of residents of country in both domestic and foreign companies. For all other countries, amounts cover insurance in force in domestic companies including their foreign business.

³ Including Government insurance.

⁴ Estimated on basis of amounts of other years.

⁵ Estimated at from 4 percent to 5 percent of the world's total.

Sources: Special reports received through the courtesy of the U. S. Department of Commerce, official publications of foreign countries, and foreign and domestic trade publications.

EXHIBIT No. 216

[Chart based on following statistical data appears in text on p. 1169]

CLASSES OF LIFE INSURANCE IN FORCE 1900-37

[Amounts in billions of dollars]

Figures include domestic and foreign business of United States companies but do not include operations of the Veterans' Bureau or United States business of foreign companies.

Year	Amounts				Percentages			
	Ordinary	Industrial	Group	Total	Ordinary	Industrial	Group	Total
1900.....	7.1	1.5	-----	8.6	82.6	17.4	-----	100
1910.....	13.2	3.2	-----	16.4	80.5	19.5	-----	100
1920.....	¹ 35.1	7.2	(¹)	42.3	¹ 83.0	17.0	(¹)	100
1930.....	79.7	18.3	9.9	107.9	73.8	17.0	9.2	100
1937.....	76.1	20.6	12.9	109.6	69.4	18.8	11.8	100

¹ Group Insurance was included with ordinary in 1920. It is estimated that the amount so included in 1920 was \$1.6 billions.

SOURCES: Statistical Abstract of the United States and Spectator Year Book.

EXHIBIT No. 217

[Chart based on following statistical data appears in text on p. 1173]

LIFE INSURANCE IN FORCE AND POPULATION IN THE UNITED STATES 1890-1938

Population in continental United States at decennial periods, annual estimates since 1930; amount of life insurance policies in force at 10-year intervals, annual totals as of Dec. 31, after 1930

Years	Population ¹	Insurance in force ²	Years	Population ¹	Insurance in force ²
1890.....	62,900,000	\$4,100,000,000	1932.....	124,800,000	\$103,200,000,000
1900.....	76,000,000	8,600,000,000	1933.....	125,700,000	98,000,000,000
1910.....	92,000,000	16,400,000,000	1934.....	126,400,000	98,500,000,000
1920.....	105,700,000	42,300,000,000	1935.....	127,200,000	100,700,000,000
1930.....	122,800,000	107,900,000,000	1936.....	128,400,000	104,700,000,000
1931.....	124,100,000	108,900,000,000	1937.....	129,300,000	109,600,000,000

¹ Bureau of the Census, Department of Commerce, Statistical Abstract of the United States, 1937.

² The Spectator Insurance Yearbooks, Statistical Abstract of the United States, 1937. Figures include domestic and foreign business of United States companies but do not include operation of the Veterans' Bureau, or United States business of foreign companies. The number of companies reported in Spectator's 1937 total was 308. In recent years these figures have been as follows: 1936, 315; 1935, 340; 1934, 313; 1933, 318; 1932, 328; 1931, 342; 1930, 352.

EXHIBIT No. 218

[Chart based on following statistical data appears in text on p. 1177]

INCOME AND EXPENDITURES OF LIFE INSURANCE COMPANIES, 1865-1937

Total income from all sources, total premium income, and total expenditures for all purposes for all life-insurance companies reporting

[Amounts in millions of dollars]

Year	Total income from all sources	Total premium income	Total expenditure for all purposes	Excess of total income over total expenditures	Year	Total income from all sources	Total premium income	Total expenditure for all purposes	Excess of total income over total expenditures
1865.....	25	22	11	14	1922.....	2,149	1,686	1,494	655
1870.....	105	90	64	41	1923.....	2,427	1,900	1,693	734
1875.....	109	84	80	29	1924.....	2,703	2,122	1,813	890
1880.....	80	55	69	11	1925.....	3,018	2,384	1,936	1,082
1885.....	112	84	86	26	1926.....	3,330	2,624	2,124	1,206
1890.....	197	158	134	63	1927.....	3,673	2,874	2,295	1,378
1895.....	272	220	190	82	1928.....	4,088	3,146	2,548	1,540
1900.....	401	325	268	133	1929.....	4,337	3,350	2,882	1,455
1905.....	642	516	412	230	1930.....	4,594	3,524	3,199	1,395
1910.....	781	593	540	241	1931.....	4,850	3,661	3,535	1,312
1915.....	1,043	784	769	274	1932.....	4,653	3,504	3,998	655
1916.....	1,118	848	792	326	1933.....	4,622	3,322	3,917	705
1917.....	1,249	929	846	403	1934.....	4,786	3,521	3,662	1,124
1918.....	1,325	994	998	326	1935.....	5,072	3,692	3,593	1,479
1919.....	1,560	1,207	1,106	454	1936.....	5,180	3,683	3,518	1,662
1920.....	1,764	1,385	1,198	566	1937.....	5,257	3,762	3,610	1,647
1921.....	1,951	1,537	1,289	662					

Sources: Spectator Insurance Yearbooks.

"EXHIBIT No. 219" appears in text on p. 1181

EXHIBIT No. 220

[Chart based on following statistical data appears in text on p. 1183]

TOTAL INCOME OF LIFE-INSURANCE COMPANIES AND UNITED STATES NATIONAL INCOME

Year	Total income ¹ of life-insurance companies (millions of dollars)	United States ² national income (billions of dollars)	Percentage ratio of life-insurance income to total national income	Year	Total income ¹ of life-insurance companies (millions of dollars)	United States ² national income (billions of dollars)	Percentage ratio of life-insurance income to total national income
			Percent				Percent
1850.....	-----	2.2	-----	1930.....	4,594	68.3	6.7
1860.....	-----	3.6	-----	1931.....	4,850	53.8	9.0
1870.....	-----	6.7	-----	1932.....	4,653	40.0	11.6
1880.....	80	7.4	0.1	1933.....	4,822	42.3	10.9
1890.....	197	12.1	1.6	1934.....	4,786	50.1	9.6
1900.....	401	18.0	2.2	1935.....	5,072	53.2	9.2
1910.....	781	30.7	2.5	1936.....	5,180	63.5	8.2
1915.....	1,043	37.1	2.8	1937.....	5,257	69.8	7.5
1920.....	1,764	68.1	2.6	1938.....	-----	61.5	-----
1925.....	3,018	72.8	4.1				

¹ Sources: Spectator Insurance Yearbooks.² Table 5 submitted for the record of the hearings before the Temporary National Economic Committee by Dr. Isador Lubin, Commissioner of Labor Statistics, Department of Labor. Based upon estimates made by the Department of Commerce, Kuznets, and King; spliced into a single reasonably comparable series by the Department of Commerce. See Hearings, Part I, appendix, p. 194.³ Estimated.

EXHIBIT No. 221

[Chart based on following statistical data appears in text on p. 1189]

Assets of formal savings institutions in United States (1910-37)

[In billions of dollars]

Year	Life-insurance companies, admitted assets ¹	Mutual-savings banks, total assets ²	State and national banks, savings and other time deposits ³	Building and loan associations, total assets ⁴
1910.....	\$3,876	\$3,652	(⁵)	\$946
1911.....	4,164	-----	\$4,504	-----
1912.....	4,409	-----	4,796	-----
1913.....	4,659	-----	4,737	-----
1914.....	4,935	-----	4,802	-----
1915.....	5,190	4,319	4,862	1,484
1916.....	5,537	-----	5,357	-----
1917.....	5,941	-----	6,537	-----
1918.....	6,475	-----	7,153	1,898
1919.....	6,759	-----	8,308	2,127
1920.....	7,320	5,619	10,131	2,534
1921.....	7,936	6,040	10,932	2,891
1922.....	8,652	6,352	11,761	3,343
1923.....	9,455	6,905	13,453	3,943
1924.....	10,394	7,365	14,495	4,766
1925.....	11,538	7,913	15,982	5,509
1926.....	12,940	8,422	17,171	6,334
1927.....	14,392	9,011	18,051	7,156
1928.....	15,961	9,688	19,745	8,016
1929.....	17,482	10,007	19,315	8,695
1930.....	18,880	10,295	19,273	8,824
1931.....	20,160	11,192	18,186	8,412
1932.....	20,754	11,134	14,241	7,745
1933.....	20,896	10,967	11,365	6,972
1934.....	21,844	11,065	11,950	6,445
1935.....	23,216	11,173	12,742	5,834
1936.....	24,874	11,409	13,453	5,620
1937.....	26,249	11,645	14,329	5,706
1938.....	-----	-----	-----	-----

¹ Statistical Abstract of the U. S., 1937, p. 277, and the Insurance Yearbook of the Spectator Co.² Statistical Abstract of the U. S., 1937, p. 242, and the Annual Report of the Comptroller of the Currency, 1937.³ Statistical Abstract of the U. S., 1937, p. 253, from American Bankers' Association.⁴ Statistical Abstract of the U. S., 1937, p. 257, from United States Building and Loan League. From 1934 on, institutions operating under a Federal charter are included.⁵ Not available

EXHIBIT No. 222

[Chart based on following statistical data appears in text on p. 1195]

ASSETS OF LIFE-INSURANCE COMPANIES

Admitted assets of the 16 largest life-insurance companies in comparison with the admitted assets of all 308 companies reporting as of Dec. 31, 1937

[Arranged according to size of admitted assets to show extent of the concentration of control in a few companies]

Company and home office	Admitted assets—		
	In millions of dollars	As a percentage of the total of 308 companies reporting	As a cumulative percentage of the total 308 companies reporting
1. Metropolitan Life, New York.....	4,720	18.0	18.0
2. Prudential Insurance Co., Newark, N. J.....	3,584	13.7	31.7
3. New York Life, New York.....	2,520	9.6	41.3
4. Equitable Life Assurance Society, New York.....	2,106	8.0	49.3
5. Mutual Life, New York.....	1,349	5.1	54.4
Subtotal.....	14,279	54.4	
6. Northwestern Mutual, Milwaukee, Wis.....	1,178	4.5	58.9
7. Travelers Insurance Co., Hartford, Conn.....	914	3.5	62.4
8. John Hancock Mutual Life, Boston, Mass.....	855	3.3	65.7
9. Penn Mutual Life, Philadelphia, Pa.....	668	2.5	68.2
10. Mutual Benefit Life, Newark, N. J.....	646	2.5	70.7
11. Massachusetts Mutual, Springfield, Mass.....	610	2.3	73.0
12. Aetna Life, Hartford, Conn.....	577	2.2	75.2
13. New England Mutual, Boston, Mass.....	402	1.5	76.7
14. Union Central, Cincinnati, Ohio.....	359	1.4	78.1
15. Provident Mutual, Philadelphia, Pa.....	331	1.3	79.4
16. Connecticut Mutual, Hartford, Conn.....	312	1.2	80.6
Subtotal.....	6,852	26.2	
Total of 16 largest companies.....	21,131	80.6	80.6
All other companies (292 companies).....	5,118	19.4	19.4
Grand total (308 companies).....	26,249	100.0	100.0

Source: The Spectator Insurance Yearbook, 1938-39.

ASSETS OF LIFE-INSURANCE COMPANIES

Admitted assets of the 25 largest life-insurance companies in comparison with the admitted assets of all 308 companies reporting as of Dec. 31, 1937

[Arranged according to location of home office to show extent of the geographical concentration of control]

Region	Admitted assets—	
	In millions of dollars	As a percentage of the total of the 308 companies reporting
New York City and Newark, N. J.:		
Metropolitan Life.....	4,720	18.0
Prudential Insurance Co. (Newark, N. J.).....	3,584	13.7
New York Life.....	2,520	9.6
Equitable Life Assurance Society.....	2,106	8.0
Mutual Life.....	1,349	5.1
Mutual Benefit Life (Newark, N. J.).....	646	2.5
Subtotal.....	14,925	56.9

Admitted assets of the 25 largest life-insurance companies in comparison with the admitted assets of all 308 companies reporting as of Dec. 31, 1937—Continued

Region	Admitted assets	
	In millions of dollars	As a percentage of the total of the 308 companies reporting
New England:		
Travelers Insurance Co.....	914	3.5
John Hancock Mutual Life.....	855	3.3
Massachusetts Mutual.....	610	2.3
Aetna Life.....	577	2.2
New England Mutual.....	402	1.5
Connecticut Mutual.....	312	1.2
Connecticut General.....	227	.9
Phoenix Mutual.....	223	.85
National Life.....	196	.75
State Mutual.....	176	.7
Subtotal.....	4,492	17.2
Philadelphia:		
Penn Mutual Life.....	668	2.5
Provident Mutual.....	331	1.3
Subtotal.....	999	3.8
Ohio and Indiana:		
Union Central.....	359	1.4
Western & Southern.....	164	.6
Lincoln National.....	139	.5
Subtotal.....	662	2.5
California, Iowa, and Wisconsin:		
Northwestern Mutual, Wisconsin.....	1,178	4.5
Pacific Mutual, California.....	227	.86
Bankers Life, Iowa.....	216	.82
Equitable Life, Iowa.....	170	.65
Subtotal.....	1,791	6.8
Total (25 largest)	22,869	87.2
All others (283 companies wherever located)	3,390	12.8
Grand total (308 companies)	26,249	100.0

Source: The Spectator Insurance Yearbook, 1938-39

EXHIBIT No. 223

[Source: Report of the Joint Committee of the Senate and Assembly of the State of New York appointed to Investigate the Affairs of Life Insurance Companies, February 22, 1906. State of New York Assembly Doc. No. 41, pp. 392-396]

LIMITATIONS OF NEW BUSINESS

The business of the Mutual, the Equitable, and the New York Life has grown beyond reasonable limits. Notwithstanding the fact that they have long since passed the point where further enlargement can benefit their policyholders, they have resorted to every effort to obtain new business, regardless of the expense which is reflected in diminishing dividends. Fearful of losing prestige, the chief concern of each has been to keep up with the others. Extravagant commissions have been paid and these have been supplemented by liberal bonuses and prizes. Clubs have been formed, conventions held, and money lavishly expended for the entertainment of agents to excite them to their utmost endeavor. Some have sought to justify this mistaken course by the claim that they were fulfilling a duty in distributing broadcast the benefits of life insurance. Much has been due to pride of growth and zeal for impressive totals, while the huge accumulations of the companies and the great responsibilities involved in their management have furnished pretexts for increased salaries and extravagant administration.

Not only has the rivalry of the three companies proved detrimental to themselves, but it has acted as a spur to the smaller companies, which, to keep their footing, have been compelled to make outlays disproportionate to their abilities. There will be no proper reform of the insurance business unless these wasteful measures are stopped.

The growth of the three companies has long been a matter of grave concern to students of insurance conditions. No useful purpose will be served by their becoming larger. Their membership is so large and their resources are so vast as to make the question of responsible control and conservation management one of extreme difficulty, and their magnitude if permitted to grow unrestricted will soon become a serious menace to the community. The prohibition of the issuance of new policies whenever the assets of the company reach a prescribed volume is impracticable. As premiums are constantly being received and reserves increasing, no company could calculate with certainty whether it was entitled to receive new business and the limit would not affect the three companies with a just degree of uniformity. Thus if the limit were placed at \$500,000,000 of assets the Mutual would be close to the line, while a considerable margin would remain for the other two companies, permitting them greatly to extend their business, while the Mutual, with less outstanding insurance than the New York Life, would be debarred from taking additional risks. Nor would it be wise to prescribe the limit with reference to the total insurance in force. The total amount of the business of the New York Life already largely exceeds that of the Equitable and the Mutual, and a limit which would suitably affect the former would place no effective limitation upon the others, and in the case of the former would result in requiring an unnecessary disorganization of the agency force.

It is the opinion of the committee that the desired result can be attained by limiting the amount of the new business which each company may take to \$150,000,000 a year. The total terminations by death, maturity, expiry, surrender, lapse, and other decrease of the three companies in the year 1904 were as follows:

Mutual.....	\$129, 125, 280
Equitable.....	139, 513, 210
New York Life.....	162, 326, 114

The suggested limitation would suffice to maintain a requisite vitality and a suitable agency organization, while precluding a further and unnecessary increase of business. There would no longer be an excuse for extravagant commissions and unprofitable foreign branches would be discontinued, with the probability that the larger part, if not the whole, of the new business would consist of insurance upon lives carefully selected in the United States. With economical administration and under the restraint of a wholesome publicity the three companies would thus be placed upon a sound, conservative basis.

Unquestionably the release of the smaller companies from the strenuous competition of the others would result in a severer rivalry among themselves. To secure their normal and not too hasty growth proper limitations should be applied to them as well. In other words, they should be permitted to take only such amount of new business as they may fairly be expected to write by means of a reasonable outlay.

The result may be accomplished by requiring that the new business should bear a suitable relation to the amount of insurance already in force.

From an examination of the course of their business, and having in mind the opportunities which will be afforded to the other companies by the practical cessation of the competition of the three leading companies, the committee recommends that no life insurance corporation doing business in this State (except a corporation more than two-thirds of whose outstanding insurance on December 31, 1905, consisted of industrial insurance), shall in any year beginning with 1907 issue policies in excess of the following prescribed limit:

The limit of new business in any year shall be determined by taking certain percentages of the total insurance in force on the 31st day of December of the preceding year, including only policies upon which the first premiums have been actually received by the company as follows:

Total insurance less than \$50,000,000, no limit.

Total insurance between \$50,000,000 and \$100,000,000, 30 percent thereof.

Total insurance between \$100,000,000 and \$300,000,000, 25 percent thereof.

Total insurance between \$300,000,000 and \$600,000,000, 20 percent thereof.

Total insurance between \$600,000,000 and \$1,000,000,000, 15 percent thereof.

If the total insurance in force shall be in excess of \$1,000,000,000, the new business shall not exceed \$150,000,000 annually.

The case of the industrial companies presents special considerations. The great number of lapses makes it necessary that a large volume of business should be written to insure stability. The ordinary department is developed in connection with the industrial branch and furnishes an opportunity to industrial agents to add to their slender compensation. The ordinary business annually written is much larger in proportion to the total outstanding insurance of the same sort than in the case of other companies. The total assets are relatively small. Thus the Metropolitan, with total outstanding insurance at the end of 1904 of nearly \$1,500,000,000 had assets of only \$128,000,000, while the Equitable with outstanding insurance of about the same amount had assets amounting to \$412,000,000. The committee is of opinion that any company writing industrial insurance and excepted from the above limitations, should not be permitted to issue policies in any year, excluding industrial policies, to an amount exceeding 50 percent of the total amount of the insurance other than industrial outstanding on the 31st day of December in the year preceding, nor in any event more than \$150,000,000.

EXHIBIT No. 224

[Prepared by the Securities and Exchange Commission Insurance Study Staff]

Assets and liabilities of all life-insurance companies as of Dec. 31

	1937	1906
ASSETS		
Cash.....	\$725, 619, 000	\$69, 532, 000
Bonds.....	13, 182, 860, 000	1, 299, 395, 000
Stocks.....	512, 935, 000	159, 728, 000
Mortgages on real estate.....	5, 229, 415, 000	825, 418, 000
Real estate.....	2, 190, 494, 000	170, 021, 000
Policy loans and premium notes.....	3, 399, 484, 000	265, 903, 000
All other assets.....	1, 008, 242, 000	133, 257, 000
Total assets.....	26, 249, 049, 000	2, 924, 254, 000
LIABILITIES		
Life insurance reserves.....	21, 100, 564, 000	2, 473, 125, 000
Other policy reserves.....	2, 480, 232, 000	14, 520, 000
Liability for policy claims.....	128, 607, 000	16, 950, 000
Dividend liability.....	425, 399, 000	36, 272, 000
All other liabilities.....	571, 704, 000	16, 183, 000
Surplus.....	1, 542, 543, 000	367, 204, 000
Total liabilities.....	26, 249, 049, 000	2, 924, 254, 000

Number of companies: 1937, 308; 1906, 138.

Source: The Spectator Insurance Year Book.

EXHIBIT No. 225

[Chart based on following statistical data appears in text on p. 1212]

*Life insurance assets, 1906-38*¹

[In thousands of dollars]

Dec. 31—	Cash	United States Government bonds	Political subdivisions	Foreign government bonds	Railroad bonds and stocks	Public utility bonds and stocks
	Percent	Percent	Percent	Percent	Percent	Percent
1906	65,040 12.3	2,900 0.1	103,789 3.6	87,211 3.1	1,001,728 34.8	134,056 4.7
1911	64,931 1.6	2,986 0	169,907 4.2	103,550 2.6	1,351,330 33.4	166,513 4.1
1916	96,088 1.8	1,533 0	241,696 4.5	208,664 3.9	1,670,486 31.3	217,070 4.0
1921	88,724 1.2	801,268 10.7	347,611 4.6	268,067 3.6	1,718,823 22.9	223,505 3.0
1924	100,838 1.1	688,198 7.1	343,783 3.6	268,239 2.7	2,097,843 20.8	460,076 4.8
1925	100,702 .9	631,646 5.9	333,116 3.3	263,811 2.7	2,232,288 20.8	632,319 5.9
1926	91,489 .8	459,221 4.1	343,984 2.7	235,130 2.5	2,401,141 20.2	826,360 6.9
1927	108,915 .8	440,629 3.3	356,390 2.7	357,102 2.6	2,561,396 19.4	1,076,111 8.2
1928	112,957 .8	391,904 2.7	413,742 2.8	372,601 2.5	2,738,330 18.7	1,326,226 9.0
1929	117,657 .7	316,381 2.0	541,253 3.4	409,138 2.5	2,848,610 17.7	1,450,390 9.7
1930	126,158 .7	303,431 1.8	557,205 3.4	436,832 2.5	2,947,027 17.0	1,673,187 9.7
1931	149,316 .8	355,563 1.9	695,357 3.8	472,793 2.6	2,996,675 16.2	1,814,268 9.8
1932	201,038 1.5	421,210 2.2	739,785 3.9	473,115 2.5	2,940,334 15.5	1,808,088 9.5
1933	416,337 2.1	804,867 4.2	808,586 4.2	456,926 2.4	2,888,510 15.0	1,828,100 9.5
1934	557,608 2.8	1,737,222 8.6	1,015,228 5.0	454,850 2.3	2,912,743 14.5	1,926,922 9.6
1935	761,737 3.6	2,721,341 12.7	1,169,710 5.5	482,550 2.3	2,875,739 13.4	2,170,601 10.1
1936	785,608 3.4	3,691,455 16.1	1,300,129 5.7	487,502 2.2	2,933,365 12.8	2,562,554 11.2
1937	667,316 2.8	4,363,292 18.1	1,403,176 5.8	486,929 2.0	3,030,369 12.6	2,822,923 11.7
1938 (Sept. 30)	793,537 3.2	4,492,205 17.9	1,452,894 5.8	506,677 2.0	3,061,192 12.2	3,137,621 12.5
1938 (Dec. 31) ²	750,000 3.0	4,551,000 17.9	1,475,000 5.8	514,000 2.0	3,082,000 12.1	3,254,000 12.8

¹ Source: Association of Life Insurance Presidents. Admitted assets of 49 legal reserve life insurance companies, holding in different years, from 91.6% to 98.4% of the admitted assets of all United States legal reserve companies.

² Ratio of investments in class to total investments.

³ Estimated by the Association of Life Insurance Presidents.

EXHIBIT No. 226

[Chart based on following statistical data appears in text on p. 1214]

*Life-insurance assets, 1906-1938*¹

[In thousands of dollars]

Dec. 31—	Other bonds and stocks	Farm mortgages	City mortgages	Real estate	Policy loans and premium notes	Other admitted assets	Total admitted assets
	Pct. ²	Pct. ³	Pct. ³	Pct. ³	Pct. ³	Pct. ³	
1906	107,777	298,558	551,864	156,442	254,815	142,207	2,876,487
1911	81,778	487,156	830,962	157,814	523,457	119,613	4,017,997
1916	81,814	798,545	992,333	143,530	750,051	147,826	5,346,606
1921	104,105	1,330,589	1,252,581	147,675	977,306	237,888	7,498,289
1924	139,770	1,814,133	2,019,972	175,748	1,190,822	331,086	7,680,478
1925	164,314	1,892,657	2,507,401	190,184	1,296,136	430,473	10,717,107
1926	174,490	1,957,223	3,152,978	216,375	1,428,388	504,607	11,881,386
1927	215,175	1,982,548	3,701,634	254,008	1,500,449	559,912	13,185,169
1928	314,435	1,960,113	4,290,583	301,419	1,790,836	677,352	14,680,498
1929	415,691	1,930,434	4,816,134	345,490	2,139,069	729,730	16,000,597
1930	546,906	1,886,389	5,127,646	411,082	2,618,709	740,714	17,304,286
1931	507,044	1,833,525	5,253,453	521,118	3,015,921	700,101	18,467,164
1932	593,733	1,701,149	5,095,166	587,768	3,415,310	787,768	19,020,095
1933	580,600	1,500,073	4,741,064	753,339	3,419,498	699,595	19,246,782
1934	689,729	1,185,167	4,308,108	1,102,026	3,300,488	699,595	20,099,647
1935	787,165	985,458	3,962,738	1,455,367	3,187,136	550,407	21,374,618
1936	919,906	866,309	3,896,760	1,889,202	3,056,613	550,407	22,888,482
1937	1,218,969	813,801	3,944,082	1,930,868	3,044,462	413,204	24,141,991
1938 (Sept. 30)	1,390,234	800,988	4,081,374	1,964,392	3,070,122	371,269	25,132,505
1938 (Dec. 31)	1,453,000	800,000	4,142,000	1,982,000	3,080,000	358,000	25,450,000

¹ Source: Association of Life Insurance Presidents.² Ratio of investments in class to total investments.³ Estimated by the Association of Life Insurance Presidents

EXHIBIT No. 227

[Chart based on following statistical data appears in text on p. 1222]

Corporate bonds and notes

Year	Total corporate bonds and notes issued ¹	Total corporate bonds and notes acquired by 10 largest life insurance companies ²	Percent acquired by 10 largest life insurance companies
1930.....	\$3,431,000,000	\$374,000,000	10.9
1931.....	2,028,000,000	346,000,000	17.1
1932.....	620,000,000	84,000,000	13.5
1933.....	227,000,000	71,000,000	31.3
1934.....	455,000,000	239,000,000	52.5
1935.....	2,117,000,000	721,000,000	34.1
1936.....	4,026,000,000	1,091,000,000	27.1
1937.....	1,676,000,000	1,040,000,000	62.1
1938.....	1,980,000,000	1,099,000,000	55.5

¹ Source: The Commercial and Financial Chronicle. Total of long and short term bonds and notes, new capital and refunding.

² Source: Annual statements of 10 largest insurance companies: (1) Metropolitan Life Insurance Co., (2) The Prudential Insurance Co. of America, (3) New York Life Insurance Co., (4) Equitable Life Insurance Society of the United States, (5) The Mutual Life Assurance Co. of New York, (6) Northwestern Mutual Life Insurance Co., (7) The Travelers Insurance Co., (8) John Hancock Mutual Life Insurance Co., (9) The Penn Mutual Life Insurance Co., and (10) Mutual Benefit Life Insurance Co.

EXHIBIT No. 228

[Chart based on following statistical data appears in text on p. 1226.]

Private placements of corporate security issues

Year	Corporate bonds and notes issued ¹	Corporate bonds and notes privately placed ²	Percent placed privately	Estimated percent of private placements acquired by life insurance companies
1934.....	\$455,000,000	\$100,000,000	21.98	75.1
1935.....	2,117,000,000	364,000,000	17.19	76.4
1936.....	4,026,000,000	443,000,000	11.00	70.0
1937.....	1,676,000,000	447,000,000	26.67	94.6
1938.....	1,980,000,000	733,000,000	37.02	85.8

¹ Source: The Commercial and Financial Chronicle.

² Source: Securities and Exchange Commission.

³ Preliminary.

EXHIBIT No. 229

[Chart based on following statistical data appears in text on p. 1228]

Net investment income and interest required on reserves

Year	Net investment income	Interest required	Excess	Percent of excess over interest required
1906.....	\$115,802,761	\$88,025,874	\$27,776,887	31.56
1907.....	127,356,364	93,935,822	33,420,542	35.58
1908.....	138,467,961	100,036,552	38,431,409	38.42
1909.....	153,740,239	107,659,860	46,080,379	42.80
1910.....	165,200,044	113,185,418	52,014,626	45.96
1911.....	179,423,076	119,237,505	60,185,571	50.48
1912.....	188,279,150	122,862,366	65,416,784	53.24
1913.....	208,110,641	133,493,289	74,617,352	55.90
1914.....	223,640,197	141,375,420	82,264,777	58.19
1915.....	230,176,010	145,999,277	84,176,733	57.66
1916.....	245,823,150	155,091,750	90,731,400	58.02
1917.....	261,987,236	165,483,664	96,503,572	58.32
1918.....	257,691,781	177,564,295	79,827,492	44.88
1919.....	298,117,109	197,065,634	101,051,455	51.28
1920.....	331,001,257	214,065,864	116,935,393	54.63
1921.....	379,738,217	234,240,463	145,497,754	62.11
1922.....	412,038,168	250,787,101	161,251,067	64.30
1923.....	420,240,569	255,244,552	164,996,017	64.64
1924.....	506,962,101	307,801,532	199,160,569	64.70
1925.....	547,643,422	336,918,610	210,724,812	62.54
1926.....	604,345,792	373,879,514	230,466,278	61.04
1927.....	662,364,205	414,108,540	248,255,665	59.95
1928.....	733,327,316	458,635,649	274,691,667	59.89
1929.....	926,835,452	580,426,534	346,408,917	59.68
1930.....	879,242,384	556,706,015	322,536,370	57.94
1931.....	887,998,141	581,520,258	306,477,831	52.70
1932.....	851,851,803	589,637,292	262,214,511	44.47
1933.....	790,668,586	593,621,027	197,047,559	33.19
1934.....	756,972,571	617,448,164	139,524,407	22.60
1935.....	757,517,438	653,919,600	103,597,838	15.84
1936.....	869,175,021	732,856,139	136,318,822	18.60
1937.....	918,128,458	776,379,721	141,748,737	18.26

Source: Spectator Insurance Year Book.

EXHIBIT No. 230

[Prepared by the Securities and Exchange Commission Insurance Study Staff]

Capital gain or loss, excess interest, and policyholders' surplus

Year	Gain or loss	Excess interest	Policyholders' surplus, including capital	Number of companies included
1931.....	-\$62,928,000	\$306,478,000	\$992,336,000	265
1932.....	-73,336,000	262,215,000	994,138,000	253
1933.....	-218,440,000	197,048,000	975,672,000	283
1934.....	-134,508,000	139,524,000	981,795,000	271
1935.....	-25,975,000	103,598,000	1,022,285,000	262
1936.....	85,329,000	136,319,000	1,156,486,000	269
1937.....	-244,749,000	141,749,000	1,093,740,000	250

Source: Spectator Insurance Year Book.

EXHIBIT No. 232

[Section 94 of the New York insurance law re provisions for election of directors in mutual life insurance companies]

SECTION 94. ELECTION OF DIRECTORS

The following provisions are hereby established for the election of directors:

1. At every election of directors in any domestic mutual life insurance corporation, whether incorporated by special act or under general law and anything to the contrary in its charter, certificate of incorporation, or by-laws notwithstanding, every policyholder whose insurance shall be in force and shall have been in force for at least one year prior thereto shall be entitled to vote without other qualification.

2. Every such policyholder, and every other person having a right to vote by virtue of any contract made prior to the enactment of this section which shall remain in force until the date of such election, shall be entitled to vote in person or by proxy or by mail, as herein provided.

3. Except as otherwise now provided with reference to existing policies, every policyholder shall be entitled to one vote only irrespective of the number of policies or the amount of insurance held by him; and unless a policy shall have been assigned more than six months prior to the election by an assignment absolute on its face to an assignee other than the corporation which shall have issued the policy, the person upon whose application the policy shall have been issued, or if the application be signed by more than one person, the person whose life is insured, shall be deemed to be a policyholder entitled to vote as aforesaid; in case a policy shall have been assigned as aforesaid, the assignee shall be deemed to be a policyholder entitled to vote, provided his signature, either attested by the assignor or acknowledged in like manner as in case of a deed to be recorded in this state, shall have been filed at the home office of the corporation which shall have issued the policy.

4. Not less than five months nor more than eight months prior to every such election, on request of not less than twenty-five policyholders entitled to vote at the last prior election, which request must be signed by each of said policyholders and acknowledged by each of them in the same manner as in the case of a deed to be recorded in the State of New York, a duplicate of such request to be filed with such corporation and notice of not less than five days of a hearing thereon given to such corporation, the superintendent of insurance, may in his discretion require such corporation within forty-five days, and not less than thirty days to file in his office a full and correct copy of its list or card catalogue of the names and last known post-office addresses of all policyholders who have been insured for at least one year under a policy for one thousand dollars or more, or any part of such list or card catalogue as he may specify. Such list or any part thereof which may be ordered filed shall be arranged, classified, and corrected as may be directed by the superintendent of insurance; provided, however, that if nominations are made, other than those nominated on the administration ticket by the board of directors, a complete list or card catalogue of names of all of such policyholders shall be so filed within forty-five days after the copy of said certificate of such nominations certified by said superintendent of insurance, shall be filed at the home office of the said corporation, which list or card catalogue shall be corrected from the records of the home office of such corporation so that a list or card catalogue as nearly correct as may be shall be on file to within three months of such election.

5. Said list or card catalogue or any part thereof so filed, while in the custody of the superintendent, shall be subject to inspection under regulations prescribed by the superintendent of insurance at any time during business hours by any policyholder in said corporation or by his authorized representative, and in case of a contested election, under regulations to be prescribed by the superintendent, may be used in the canvass of the policyholders of the company; provided, however, that after such election, or, if no candidate shall have been nominated other than those nominated by the board of directors, then after the time for such independent nominations shall have expired, such list or card catalogue shall be returned to the corporation filing the same as aforesaid.

6. Where policyholders of any domestic stock life insurance corporation have become or shall become entitled to vote for directors, they shall be entitled to vote in person, by proxy or by mail, as herein provided, and a similar list or card catalogue of policyholders, qualified to vote, in accordance with the charter or by-laws of such corporation, except the holders of industrial policies, shall be filed and maintained in the office of the superintendent of insurance and at the

home office respectively, similarly arranged and similarly subject to inspection and copy and withdrawal as in the case of mutual corporations as above provided.

7. Where policyholders in any company shall have made nominations as hereinafter prescribed, they, or a committee representing them, shall upon demand, with the approval of the superintendent of insurance and the payment to the company of the actual cost of making such copies, be furnished by such company with a copy of such list of policyholders or with a copy therefrom of the list for a separate jurisdiction. A copy of a list so taken, or of any part thereof, shall be held by persons receiving the same inviolate for the purposes of said nominations in a pending election and shall not be transferred to other persons for any other use whatever. At the close of the canvass of the votes all copies of such lists shall be returned to the company.

8. At least seven months prior to the date of any election of directors in any such corporation, the board of directors shall nominate candidates for every vacancy to be filled at such election and shall also appoint three persons, jointly or severally, to receive proxies to be voted for said nominees, and shall also file with the superintendent of insurance and at its home office a certificate of the names of the candidates so nominated and of the persons so designated to receive said proxies, which shall be described as the "administration ticket."

9. In every such corporation which had over one hundred thousand policies in force at its last preceding election, each in amount of one thousand dollars or more, any qualified voter equal in number to one-tenth of one per centum of such total policies in force, and in every other such corporation, any one hundred or more qualified voters may make other nominations for one or more vacancies to be filled at any such election by filing with the superintendent of insurance at least five months before the election a certificate signed and acknowledged, giving the names and addresses of the candidates nominated, the names and addresses of three persons, jointly or severally, designated to receive proxies to be voted for said nominees, and an appropriate name or title designated by the superintendent of insurance to distinguish the ticket from the administration ticket and other nominations. Such nominators must also file a copy of said certificate, certified by said superintendent at the home office of the company at least five months before such election.

10. All certificates of nomination shall be accompanied by a written acceptance of such nomination by each nominee thereon. A court of record may for cause shown direct the name of any candidate to be stricken from a ticket on file and may authorize the nominators of such ticket to substitute the name of another person to fill the vacancy so made.

11. If no independent nominations shall have been made as hereinbefore provided, then and in that case all further proceedings in connection with such election as provided by this section may be omitted, and said election shall then be conducted and held under such rules and regulations as the superintendent of insurance may prescribe; but no votes shall be cast or counted except for said candidates nominated by the board of directors, or for such candidate as the board of directors may have nominated to fill vacancies among said candidates caused by the death, disability, or refusal to stand as candidates of any one or more of those so nominated.

12. At least three months prior to any such election the corporation shall cause to be mailed, in a serially numbered sealed envelope with postage prepaid, to each policyholder whose name shall be upon said list and whose policy shall still be in force, at his last known post-office address, a corresponding serially numbered official ballot in a form approved by the superintendent of insurance and containing the respective tickets nominated as hereinbefore provided and the names and addresses of the persons so appointed to receive proxies. A corresponding serially numbered stub or card containing the name and address of the policyholder to whom each ballot is sent shall be retained at the home office of the company for the purpose of identifying said ballot when returned. Such official ballot shall be conveniently arranged under the names or titles by which the nominations have been designated and shall have printed upon it the name of the company, the post-office address of its home office, the number of directors to be elected and the names of those whose terms expire, the date of the election and instructions as herein provided for executing such official ballot or for the use of a proxy as herein provided and a designated space for the signature of the policyholder, the number of one of his policies and the signature of a subscribing witness.

13. No other or different ballot shall be used, except that a duplicate ballot or ballots may be supplied to any policyholder and voter or to the holder of his

proxy, for his own use, pursuant to rules and regulations prescribed by the superintendent of insurance.

14. There shall be inclosed in such sealed envelope with such official ballot a suitable return gummed envelope having thereon the name and post-office address of the home office of the corporation, and the words "ballot for directors." There shall also be inclosed in such sealed envelope a suitable blank proxy upon which shall be printed a statement of the right of the policy-holder to vote either by mail or by proxy as herein provided or in person.

15. No other papers or written or printed matter shall be inclosed in such sealed envelope. Specimen copies of such sealed envelope and inclosures shall be approved by the superintendent of insurance before being so mailed.

16. A policyholder desiring to vote by mail must indicate the name of the nominee or nominees for whom he desires to vote or strike out the name or names of those for whom he does not desire to vote upon the official ballot so provided or must otherwise suitably indicate in the blank spaces thereon the nominee or nominees for whom he desires to vote, and must sign the said official ballot in his own handwriting in the presence of a subscribing witness, and place or cause to be placed thereon the number of at least one policy held by him. Failure to state or to correctly state such policy number shall not render a ballot void or subject the policyholder to any penalty.

17. Such policyholder must inclose the official ballot so marked in such return envelope or in a similarly inscribed envelope. Such envelope containing the ballot sealed and postpaid shall be mailed by the policyholder to the home office of the company. No policyholder may vote for more than the number of directors so to be elected and all ballots upon which the intent of the policyholder does not fairly appear shall be void.

18. Any policyholder may vote by proxy executed to any person, whether designated in the certificates filed as aforesaid or otherwise. The execution of a proxy shall be attested by a subscribing witness and the proxy shall set forth the number of at least one policy held by the person giving it. A proxy shall not be valid unless executed within three months prior to the election and shall be used only at such election or any adjournment thereof and may be revoked by the policyholder giving the same at any time prior to the opening of the polls upon the day of such election. In exercising such proxy the holder or holders thereof shall vote only upon the official ballot, or the duplicate thereof, furnished to such policyholder as hereinbefore provided, to which such proxy shall be attached. In so voting the proxy holder shall sign said ballot in the name of the policyholder, and shall also sign his own name as proxy. Ballots voted by proxy holders shall be mailed to the home office, or voted in person by said proxy holder, in the same manner as herein prescribed for ballots voted directly by policyholders.

19. The votes at such election shall be limited to the candidates nominated as aforesaid except that in case of a vacancy occurring upon any ticket so nominated the board of directors of such corporation, if the candidate was upon the administration ticket, and a majority of the nominators if the candidate was upon an independent ticket, shall nominate another candidate in his place by filing a certificate of said nomination with the superintendent of insurance and a certified copy thereof at the home office of the company if such vacancy occurs more than five months prior to the day set for the election, and the name of the candidate so selected shall be set forth in the official ballot sent out by the company. If such vacancy occurs within five months prior to such election then the directors elected at such election shall have power to fill such vacancy.

20. All ballots by mail shall be received at the home office of a company holding an election by two or more persons, one-half of whom shall be appointed for that purpose by the superintendent of insurance and one-half by the directors of the company. The compensation of the custodians so appointed shall be paid by the company. Such custodians shall keep a daily record of the envelopes marked as containing ballots for directors which are received at the home office, and shall securely retain them in their joint custody in safety vaults or compartments accessible only to such custodians and not to either of them separately, under regulations prescribed by the superintendent of insurance. Prior to the closing of the polls election day said custodians shall deliver all ballots so received by them to the inspectors of election.

21. The election shall be held at the home office of the company. The polls shall be opened at ten o'clock in the forenoon and remain open until four o'clock in the afternoon of the day of the election, at which time they shall be closed. All votes cast at such election shall be by ballot as hereinbefore provided.

22. The superintendent of insurance shall appoint an adequate number of inspectors of election who may employ expert accountants and assistants and may procure stationery and supplies for conducting the election and canvassing the votes. Their compensation and necessary disbursements shall be paid by the company. Such inspectors shall have power to determine all questions concerning the verification of the ballots, the ascertainment of the validity thereof, the qualifications of the voters and the canvass of the vote; and with respect thereto shall act under such rules and regulations as shall be prescribed by the superintendent of insurance.

23. All envelopes marked substantially as hereinbefore prescribed received by mail at the home office of the company at any time prior to the day of election or on that day before the polls are closed shall be forthwith delivered intact without opening to the custodians appointed as hereinbefore provided and before the polls are closed shall be delivered to the inspectors of election.

24. No person shall conceal or withhold or aid or abet any other person in concealing or withholding from the custodians or inspectors any such envelope; nor shall any person, other than an inspector, open or aid or abet any person to open any such envelope.

25. No ballots received by mail at the office of the company or offered personally or by proxy after the polls are closed shall be counted. All ballots offered personally or under proxies and all ballots received by mail at the office of the company as aforesaid before the polls are closed shall be received by the inspectors subject to verification and ascertainment of the validity thereof and of the qualifications of the voter.

26. Immediately upon the closing of the polls the inspectors shall proceed to the examination of the ballots and shall canvass the votes lawfully cast. The canvass shall proceed from day to day and the inspectors shall certify the result to the company and to the superintendent of insurance as soon as it is completed.

27. Representatives designated by a majority of each three persons who shall have been appointed to receive proxies to be voted for tickets nominated as aforesaid may, in such number as shall be approved by the superintendent of insurance, be present during the casting, verification and canvass of the votes. The compensation of such representatives shall not be a charge upon or paid from the funds of the company.

28. All ballots and proxies received by the inspectors of election shall immediately upon the completion of the canvass be placed in sealed packages and shall be preserved by the said inspectors for a period of four months subject to the order of any court having jurisdiction of any proceedings relating thereto.

29. The superintendent of insurance shall have power to supervise and direct the methods and procedure of all elections herein provided for and to make all further needful rules and regulations concerning the same. All bills for or on account of the custodians of ballots and inspectors of election, their employees, assistants, necessary expenses or disbursements, during the conduct of such election, and the canvass of the votes, shall be approved by the superintendent of insurance before payment by the company.

30. The said elections and the conduct thereof shall at all times be subject to the supervision and control of the courts in like manner as elections for state, county and municipal officers so far as applicable.

31. The including by any corporation of the name of any person in any list of policyholders required by this section shall not be construed as an admission by the corporation of the validity of any policy, and no such list shall be competent evidence against the corporation in any action or proceeding in which the question of the validity of any policy or of any claim under it is involved.

32. No insurance company, and no officer, agent, or employee thereof shall knowingly omit the name of a policyholder and voter from the lists herein required to be filed, or shall knowingly omit to give the correct name and address of such policyholder and voter, or knowingly give a wrong address, or shall expend, advance or loan any money of the company contrary to the provisions of this section.

33. Except where such expenditure is authorized or required by this section, no money of the company shall be expended in connection with such election or in canvassing therefor, and no officer or agent of the company shall directly or indirectly make any advance or loan of such moneys to any person in connection with or for the purpose of such election or canvass.

34. No officer, salaried agent, or employee shall, within the period between the filing of the nominations and the election, during business hours, devote any of his time in soliciting votes in support of or in opposition to any candidate or list

of candidates in connection with any such election. No officer, agent, or employee shall compel or coerce any other officer, agent, or employee to support, work for, or oppose any candidate or any list of candidates. The stationery or supplies of the company or office space devoted to the conduct of its business shall not be used for furthering the interest of any ticket or candidate thereon.

35. No person, whether connected with the company or otherwise, shall issue or cause to be issued any circular or other written or printed communication either in behalf of or in opposition to any ticket or any candidate thereon containing any false statement.

EXHIBIT No. 233

LIST OF BOARD OF DIRECTORS OF THE METROPOLITAN LIFE INSURANCE CO.

Joseph P. Knapp	Charles M. Schwab	Walter Ewing Hope
Frederick H. Ecker	William L. DeBost	Samuel W. Fordyce
John Anderson	Jeremiah Milbank	Carroll Burnham Merriam
Alanson B. Houghton	D'alton Corry Coleman	George McAneny
Mitchell D. Follansbee	Newcomb Carlton	Robert V. Fleming
Joseph P. Day	Leroy A. Lincoln	Frederick W. Ecker
Langdon P. Marvin	Harry W. Croft	Winthrop W. Aldrich
L. A. Taschereau	Thomas H. Beck	Edward R. Stettinius

EXHIBIT No. 234

[Prepared by the Securities and Exchange Commission insurance-study staff]

SCHEDULE OF BUSINESS AFFILIATIONS OF THE DIRECTORS—METROPOLITAN LIFE INSURANCE CO.

I. Affiliated as officer only:

A. Industrial:

1. Lambert Pharmacal Co.

B. Real estate:

1. 120 East 75th Street, Inc.

C. Utilities:

1. Kansas Power & Light Co.

II. Affiliated as director only:

A. Bank and trust companies:

1. Discount Corporation of New York.
2. Chase National Bank.¹
3. Mellon National Bank.
4. Bankers Trust Co.
5. Excelsior Savings Bank.
6. St. Louis Union Trust.
7. Bowery Savings Bank.
8. Title & Realty Safe Deposit Co.
9. Provident Loan Society.
10. Empire Trust Co.
11. Royal Trust Co. (Canada)
12. Credit Foncier Franco Canadien.
13. Caisse D'Economie N-D de Quebec.
14. Canadian Investment Fund.

B. Industrial companies:

1. Westinghouse Electric & Mfg. Co.
2. Mack Trucks, Inc.
3. American Sugar Refining Co.
4. General Railway Signal Co.
5. Union Carbide & Carbon Co.
6. James Talcott, Inc.
7. Lanston Monotype Machine Co.
8. Adjustable Bearing Plate Co.
9. Coca-Cola Bottling Co.
10. American Zinc, Lead & Smelting Co.
11. United Zinc Smelting Corporation.
12. Companhia Meridional de Mineracao (Brazil).
13. Corning Glass Works.

¹ Indicates 2 or more directors are affiliated with the company.

II. Affiliated as director only—Continued.

C. Insurance companies:

1. Life:

- a. Acacia Mutual Life Insurance Co.
- b. Sun Life Assurance Co.
- c. North American Life Insurance Co.

2. Accident:

- a. Globe Indemnity Co.

3. Surety:

- a. American Surety Co.¹

4. Fire:

- a. National Liverpool Insurance Co.
- b. Liverpool-Manitobe Insurance Co.
- c. Liverpool, London & Globe Insurance Co.
- d. Central States Fire Insurance Co.
- e. City of New York Insurance Co.
- f. Westchester Fire Insurance Co.
- g. Imperial Assurance Co.
- h. Home Insurance Co.¹
- i. Stuyvesant Insurance Co.

5. Casualty:

- a. Phoenix Indemnity Co.

D. Mercantile companies:

- 1. Hudson Bay Co.
- 2. R. H. Macy & Co.

E. Oil:

- 1. Houston Oil.
- 2. Amos L. Beaty & Co., Inc.

F. Publishing companies:

- 1. Publication Corporation.¹
- 2. Speedry Gravure Corporation.
- 3. Printing Securities Corporation.
- 4. Publication Securities Corporation.

G. Real estate:

- 1. Rockefeller Center, Inc.
- 2. Cruikshank Co.
- 3. Interzone Corporation.
- 4. Calumet Trust.
- 5. Oceanic Investment Corporation.
- 6. City Real Estate Co.
- 7. Ritz-Carlton Hotel Corporation.
- 8. Real Estate Bondholders Protective Committee.²

H. Transportation:

1. Railroad:

- a. Los Angeles & Salt Lake R. R.³
- b. Oregon Short Line R. R.
- c. Oregon-Washington Railroad & Navigation Co.
- d. Union Pacific R. R.
- e. Toronto, Hamilton & Buffalo Ry.
- f. Cincinnati, Indianapolis & Western Ry. Co.
- g. Capital Transit Co. (Washington, D. C.)
- h. Missouri, Kansas & Texas R. R.
- i. Atchison, Topeka & Santa Fe Ry.
- j. Committee representing 5 percent secured notes of Seaboard Air Line Ry. Co.¹

2. Steamship:

- a. Eastern Canada Coastal Steamships.

I. Utilities:

- 1. American Telephone & Telegraph Co.
- 2. Delaware River Telegraph Co.
- 3. East Pennsylvania Telegraph Co.
- 4. Empire & Bay States Telegraph Co.
- 5. Franklin Telegraph Co.
- 6. Gold & Stock Telegraph Co.

¹ Indicates 2 or more directors are affiliated with the company.

² Mr. McNaney is a committee member in this real-estate reorganization.

³ Mr. McNaney is a committee member in this railroad reorganization.

II. Affiliated as director only—Continued.

I. Utilities—Continued.

7. Maine Telegraph Co.
8. New York Mutual Telegraph Co.
9. Ohio & Mississippi Telegraph Co.
10. Vermont & Boston Telegraph Co.
11. Pacific & Atlantic Telegraph Co.
12. Canadian Marconi Co.
13. Consolidated Edison Co.¹
14. New York Telephone Co.
15. Western Union Telegraph Co.¹
16. Chesapeake & Potomac Telephone Co.
17. Potomac Electric Power Co.
18. Noteholders & Bondholders Committee Standard Gas & Electric Co.⁴

III. Affiliated as both officer and director:

A. Bank and trust companies:

1. The Chase Bank.
2. Chase Safe Deposit Co.
3. Chase National Bank of the City of New York.
4. Union Dime Savings Bank.¹
5. Provident Loan Society of New York.
6. Riggs National Bank, Washington, D. C.
7. Central National Bank.
8. Central Trust Co.
9. Transit Corp.

B. Industrial companies:

1. Charles Pfizer & Co.
2. Eastern Abattoirs, Ltd.
3. Bucyrus-Erie Co.
4. Bethlehem Steel Corporation.
5. U. S. Steel Corporation.
6. Essex Iron Co.
7. Lake Superior Consolidated Iron Mines.
8. Piloto Mining Co.
9. American District Telegraph Co.

C. Insurance companies:

1. Title Insurance Co.
- a. Title Guarantee & Trust Co.

D. Publishing companies:

1. Crowell Publishing Co.¹
2. Publication Securities Corporation.
3. Printing Securities Corporation.
4. Publication Corporation.

E. Real estate:

1. Scottish Trust Co.
2. 660 Park Avenue Corporation.
3. 415 Fifth Avenue, Inc.
4. 51 East 67th Street Corporation.
5. Realty & Securities Corporation.¹
6. Ritz-Carlton Hotel Co. of Boston.
7. Ritz-Carlton Management Corporation.
8. Milchester Realty Corporation.
9. 71 Broadway Corporation.

F. Transportation (railroad):

1. Canadian Pacific Ry. Co.
2. Dominion Atlantic Ry. Co.
3. Quebec Central Ry. Co.
4. Ontario & Quebec Ry. Co.
5. Alberta Railway & Irrigation Co.
6. Kingston & Pembroke Ry. Co.
7. Toronto, Grey & Bruce Ry. Co.
8. Spokane International Ry. Co.
9. Erie R. R. Co.
10. Chicago & Erie R. R. Co.

G. Utilities:

1. Western Union Telegraph Co.

¹ Indicates 2 or more directors are affiliated with the company.

⁴ Mr. McAneny is a committee member in this utility reorganization.

EXHIBIT No. 235

[Prepared by the Securities and Exchange Commission Insurance Study Staff]

Schedule of attendance at directors' meetings of the Metropolitan Life Insurance Co.

ATTENDANCE AT DIRECTORS' MEETINGS

	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929
January.....	17	15	16	16	14	17-16	17-17	16-16	16-16	9-14
February.....	13	8	11	14	11	12	14	13	12	7
March.....	15	15	17	15	16	16	17	15	13	13
April.....	17	16	17	16	16	17	17	12	14	17
May.....	15	17	14	15	16	18	17	16	12	16
June.....	14	13	15	12	14	13	13	14	12	9
July.....	17	14	17	11	18	12	16	13	11	12
August.....	14	11	14	11	14	15	15	12	10	11
September.....	20	17	14	17	15	18	14	17	10	13
October.....	17	15	18	14	20	16	17	18	18	12
November.....	13	18	16	19	16	12	16	16	18	15
December.....	16	15	15	14	14	16	16	12	15	16

BRIEF ANALYSIS OF 125 MEETINGS

1. Average attendance, 15 directors.
2. (a) 2 meetings attended by 20 directors (largest number), (b) 1 meeting attended by 19 directors, (c) 8 meetings attended by 18 directors, (d) 20 meetings attended by 17 directors, (e) 25 meetings attended by 16 directors, (f) 16 meetings attended by 15 directors, (g) 18 meetings attended by 14 directors, (h) 10 meetings attended by 13 directors, (i) 12 meetings attended by 12 directors, (j) 7 meetings attended by 11 directors, (k) 2 meetings attended by 10 directors, (l) 2 meetings attended by 9 directors, (m) 1 meeting attended by 8 directors, (n) 1 meeting attended by 7 directors—total, 125 meetings.

EXHIBIT No. 236

[From files of Metropolitan Life Insurance Co., office of the chairman of the board]

NEW YORK, February 9, 1934.

MR. FREDERICK H. ECKER,
President, Metropolitan Life Insurance Co.,
New York City.

DEAR DEAR FRIEND: You probably have heard that I have been in pretty poor health the past 5 months, and I do not seem to be rapidly recovering. As a result of this, I am retiring from everything I can. You probably also have noticed that I have even retired from the Chase Bank, where I have been a director so many years. The only directorates I am now on, are those of the Bethlehem Steel Co. and the Metropolitan Life Insurance Co.

It seems to me that you should have someone who could give active attention to your company as a director, and this I am at present unable to do, nor likely to be able to do for some little time. Under these circumstances, I wonder if you would not like me to resign to make way for someone else. You have been so universally kind and considerate to me during all these years that it is a matter of extreme regret to break off business relations with you, but please be perfectly frank and tell me what you would like me to do. My only desire is to serve you and be of service to you if I can.

With all good wishes, and best regards always, I am

Sincerely yours,

C. M. SCHWAB.

EXHIBIT No. 237

[From files of Metropolitan Life Insurance Co., office of the chairman of the board]

FEBRUARY 15, 1934.

CHARLES M. SCHWAB, Esq.,
New York, N. Y.

DEAR CHARLIE and may I have the privilege of also adding my dear, dear friend: My first reaction upon reading your note of the 9th, which came to me last week in the midst of our convention activities, was one of chagrin over the failure to carry out my good intention to look you up long since. I do know something of

the things to which you refer. I knew of your being at the Doctors Hospital and my being persuaded by someone—I don't remember just who it was—not to go over and try to see you there; that you were there for a rest and preferred not to have visitors. My conscience troubles me sorely that I didn't, at least, send you a note and let you know I was thinking about you.

With respect to the particular subject of your letter, we are having no difficulty in getting a quorum for our meetings. Frankly I would have more regret than you express at breaking off your relations with the Metropolitan. I much appreciate the way you write about it. My preference is the situation should not be disturbed. If, on our side, it changes at all, I will be frank and let you know.

At your convenience, I wish you would let me know where you are and whether I might not stop in and have a chat.

We had a great convention last week. Under all the conditions, we were able to make a very good financial statement and while all the insurance companies have suffered some decrease in the amount of insurance in force—taking the companies as a whole, a 5-percent reduction of insurance in force—our own loss was only 1 percent. In the strictly ordinary department, we wrote more business last year than the year before. Our men were most enthusiastic and the outlook for this year is more than promising.

I am leaving tomorrow to hold territorial meetings, taking me as far as New Orleans. During the year I expect I will have to cover almost the whole United States and Canada.

So you see I am able to make to you a good report of our business situation; and then I am mentioning my going away tomorrow to say that I will be back right after the 1st of March and at home for perhaps a couple of weeks before I start out again. If I were to know it would be agreeable to you and where, it would please me very much to be able to stop and see you.

Sincerely yours,

_____, *President.*

EXHIBIT No. 238

CHARTER AND BY-LAWS OF METROPOLITAN LIFE INSURANCE COMPANY

[INCORPORATED BY THE STATE OF NEW YORK]

As amended to March 24, 1936

ADOPTED PURSUANT TO SECTION 52 OF THE INSURANCE LAW OF THE STATE OF NEW YORK UPON ITS REINCORPORATION THEREUNDER

This is to certify that Metropolitan Life Insurance Company, a corporation heretofore duly organized and existing under and by virtue of the laws of the State of New York, and existing or doing business on October first, eighteen hundred and ninety-two, has by a vote of a majority of its Directors duly accepted the provisions of Chapter thirty-three of the laws of the State of New York of nineteen hundred and nine, known as the "Insurance Law," and the amendments thereto, pursuant to the authority conferred by Section 52 of said law, and adopted the following charter in conformity therewith for the purpose of reincorporating thereunder.

ARTICLE I

The name of the corporation shall continue to be "Metropolitan Life Insurance Co."

ARTICLE II

Said corporation shall be located and have its principal place of business in the Borough of Manhattan, City of New York, in the State of New York.

ARTICLE III

The business of said corporation and the kinds of insurance to be undertaken by it are to make insurance upon the lives and the health of persons, and every insurance appertaining thereto; and to grant, purchase or dispose of annuities; and to make insurance against injury, disablement or death resulting from traveling or general accident, and against disablement resulting from sickness, and every insurance appertaining thereto, said kinds of insurance being authorized

by and under subdivisions one and two of Section 70 of the Insurance Law of the State of New York.

ARTICLE IV

SECTION 1. The corporate powers of said corporation shall be exercised by a Board of Directors, by a President and Vice-President of the corporation, and by such other officers and agents as the Board may elect or appoint and empower.

SEC. 2. The Board of Directors shall consist of twenty-five directors elected as hereinafter provided, that being the present number of its Directors.

SEC. 3. The Board of Directors shall have power to make and prescribe from time to time such by-laws, rules, and regulations for the transaction of the business of the corporation and the conduct of its affairs, not inconsistent with the laws of the State or this charter, as may be deemed expedient, and to amend or repeal such by-laws, rules, and regulations.

SEC. 4. Nine Directors shall constitute a quorum for the transaction of business; but a less number may meet and adjourn from time to time until a quorum is present.

ARTICLE V

SECTION 1. The Directors of the corporation shall be elected by the policyholders as prescribed by law. The President and Vice-President of the corporation shall be elected by the Directors from their own number. The other officers shall be appointed by the Board of Directors.

SEC. 2. The election of Directors shall be held on the second Tuesday of April in the year one thousand nine hundred and fifteen and biennially thereafter on the second Tuesday of April, at the Home Office of the Company in the Borough of Manhattan, in the City of New York, in the manner prescribed by law.

SEC. 3. The President and Vice-President of the corporation shall be elected at the first stated meeting of the Board of Directors held after the election of Directors on the second Tuesday of April in the year one thousand nine hundred and fifteen, and annually thereafter; each of them shall continue to hold his office and discharge his duties until his successor has been elected.

SEC. 4. Vacancies in the Board of Directors or any office shall be filled by the Board of Directors, a majority of the votes of the Directors present at any meeting constituting a choice.

SEC. 5. The present members of the Board of Directors and the present Officers of the corporation shall continue to be such Directors and Officers until the expiration of the respective terms for which they were elected.

ARTICLE VI

The Corporation having as a domestic stock life insurance corporation heretofore duly complied with the requirements of Section 95 of the Insurance Law of the State of New York, and carried out a plan for the acquisition of all the shares of its capital stock duly approved as in said Section 95 required and provided, and having thereby become a mutual life insurance corporation, it shall continue to be a mutual company without capital stock.

ARTICLE VII

The Board of Directors may purchase at any time for the benefit of the corporation any policy of insurance or other obligation of the corporation growing out of its business; and also any claims of policyholders for profits; but no director, officer, agent or employee of the corporation shall make any such purchase for his interest, benefit or advantage.

ARTICLE VIII

The corporation may divide its business of making insurance upon the lives of persons and every insurance appertaining thereto and of granting, purchasing or disposing of annuities, into two departments, the books and accounts of which shall be kept separate and distinct, and which shall be known respectively as the "Ordinary Department" and the "Industrial Department"; and the net surplus derived from the business of the Ordinary Department as annually ascertained in the manner provided by law shall be apportionable to the policies in that department entitled to share therein, and the net surplus derived from the business of the Industrial Department as annually ascertained in the manner provided by law shall be apportionable to the policies in that Department entitled to share therein. Nothing herein contained shall be construed to require the corporation to separate its investments between Departments.

ARTICLE IX.

The Directors of said corporation shall annually cause a statement to be made of the true state of its affairs and shall well and truly ascertain the surplus earned by the corporation during the year, which said ascertainment of surplus shall be binding and conclusive upon every person entitled to share in said surplus.

ARTICLE X

Said corporation shall have perpetual succession.

IN WITNESS WHEREOF said Metropolitan Life Insurance Company has by a vote of a majority of its Directors regularly convened as a board caused its name to be hereunto subscribed by its President, John R. Hegeman, and its corporate seal to be hereunto affixed and attested by its Secretary, James S. Roberts, this sixth day of January, in the year of our Lord one thousand nine hundred and fifteen.

METROPOLITAN LIFE INSURANCE COMPANY,
By JOHN R. HEGEMAN, *President*.

[Seal of Company.]

(Canceled 10-cent Documentary U. S. Revenue stamp.)

Attest:

JAMES S. ROBERTS, *Secretary*.

STATE OF NEW YORK,
County and City of New York, ss.

On this sixth day of January, in the year one thousand nine hundred and fifteen, before me, the undersigned, personally came JOHN R. HEGEMAN, to me known, who being by me duly sworn did depose and say that he resides at Mamaroneck, State of New York; that he is the President of Metropolitan Life Insurance Company, the corporation described in and which executed the foregoing instrument, that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed said instrument on behalf of said corporation by like order.

Also personally came JAMES S. ROBERTS, to me known, who being by me duly sworn did depose and say that he resides at 246 West 136th Street, in the Borough of Manhattan, in the City of New York, State of New York; that he is the Secretary of Metropolitan Life Insurance Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; and that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name in attestation thereof by like order.

In Witness Whereof I have hereunto set my hand and affixed my notarial seal in the Borough of Manhattan, City of New York, the day and year first above written.

F. J. GEIST,
Notary Public, Richmond Co.

Certificate filed in New York County No. 9 (Register's No. 5062).⁷

(Canceled 10-cent documentary United States revenue stamp.)

[Seal of FRANCIS J. GEIST, Notary Public.]

STATE OF NEW YORK

INSURANCE DEPARTMENT—ALBANY

FRANK HASBROUCK,
Superintendent of Insurance.

Whereas Metropolitan Life Insurance Company, a domestic corporation existing or doing business on October 1, 1892, and now holding for all its outstanding policies or certificates assets equal in value to the minimum reserve required by Section 84 of the Insurance Law, has by a vote of a majority of its Directors accepted the provisions of Chapter thirty-three of the laws of nineteen hundred and nine, known as the "Insurance Law," under the authority conferred by Section 52 thereof, and adopted, for the purpose of reincorporating thereunder, a charter in conformity therewith, incident to having been converted from a

stock-life insurance corporation into a mutual-life insurance corporation through taking the proceedings prescribed in Section 95 of the Insurance Law; and

Whereas said Company has presented to me said charter, certified in due form to have been so adopted, with the record of the adoption thereof, for my consent required by Section 52 of the Insurance Law, and has applied to me for my certificate certifying under my hand and official seal that it has complied with all the requirements of law to be observed by it in the premises and is authorized to transact the business of insurance specified in its said charter; and

Whereas the said charter has been submitted by me to the Attorney General for his examination and certified by him to be in accordance with the requirements of law;

Now, therefore, I, Frank Hasbrouck, Superintendent of Insurance of the State of New York, do consent to the acceptance by said Metropolitan Life Insurance Company of the provisions of Chapter thirty-three of the laws of nineteen hundred and nine of this State, known as the "Insurance Law," and to such charter.

And I do hereby further certify that said Metropolitan Life Insurance Company has complied with all the requirements of law to be observed by it, and upon the filing in this office of said charter, so certified, the record of the adoption thereof and this consent is, pursuant to said charter, authorized to make insurance upon the lives and the health of persons and every insurance appertaining thereto; and to grant, purchase, or dispose of annuities; and to make insurance against injury, disablement, or death resulting from traveling or general accident and against disablement resulting from sickness and every insurance appertaining thereto, as provided for under subdivisions one and two of Section 70 of the Insurance Law.

In witness whereof I have hereunto set my hand and affixed my official seal, at the Insurance Department in the City of Albany, on the sixth day of January, in the year of our Lord one thousand nine hundred and fifteen.

[Seal of Superintendent of Insurance.]

FRANK HASBROUCK,
Superintendent of Insurance.

BY-LAWS OF METROPOLITAN LIFE INSURANCE COMPANY

OFFICERS

SECTION 1. The Officers of this Company shall consist of a Chairman of the Board, the President and Vice-President provided for in the Charter, and, in addition, the following: such other Vice-Presidents as the Board of Directors may determine, Treasurer, one or more Assistant Treasurers, Secretary, one or more Assistant Secretaries, one or more Actuaries, one or more Assistant Actuaries, one or more Comptrollers, one or more Assistant Comptrollers, one or more Medical Directors, one or more Assistant Medical Directors, one or more General Counsel, one or more Assistants General Counsel, Auditor, Statistician, Assistant Statistician, Economist, and Personnel Officer.

ELECTION OF OFFICERS

SEC. 2. The Chairman of the Board and the President and Vice-President provided for in the Charter shall be elected at the stated meeting of the Board of Directors in the month of April of each year, or at the first adjourned meeting thereafter; each of them shall continue to hold his office and discharge his duties until his successor has been elected.

APPOINTMENT OF OFFICERS

SEC. 3. All other Officers shall be appointed by the Board and hold their offices until their successors are appointed respectively.

REGULAR BOARD MEETINGS

SEC. 4. The Board of Directors shall hold a meeting on the fourth Tuesday of each month, to hear the reports of Officers and Committees, and for the transaction of general business. The Board may, on motion, change the date of a stated monthly meeting, or may adjourn a meeting to a later specified date.

SPECIAL BOARD MEETINGS

SEC. 5. Special meetings of the Board may be called at any time by the Chairman of the Board or by the President; in their absence, by the Vice-President provided for in the Charter; and in the absence of all of such Officers, by any three members of the Board, for the transaction of such special business as shall be indicated in the call for the same.

STANDING COMMITTEES—QUORUM

SEC. 6. At the meeting to be held on the fourth Tuesday of April in each and every year, there shall be appointed by the Chairman of the Board, or in his absence by the President, with the concurrence of the Board, from its membership other than Officers, six standing committees, which shall hold their appointments for one year, to wit: a Finance Committee consisting of six members; a Real Estate Committee of four members; an Auditing Committee of four members; an Insurance and Agency Committee of four members; a Home Office Committee of four members; and a Welfare Committee of five members. Said Committees shall make reports to the Board and make such recommendations from time to time as they may deem proper. They shall be attended at their meetings by an Officer to be designated by the Chairman of the Board or by the President. They may appoint a time for their meetings at such intervals and provide for such notices thereof as they shall deem proper for the due performance of their duties, and meetings may be called at any time by the Chairman of the Board, the President, or the Vice President provided for in the Charter. The number of members of each Committee above named shall be in addition to the Chairman of the Board and the President, who shall be *ex officio* members of all except the Auditing Committee. A majority of the members of the Finance and Real Estate Committees, respectively, shall constitute a quorum of said Committees. Each of the other Committees may, by a unanimous vote, fix the number of members thereof that shall constitute a quorum. Vacancies in the membership of the Committees shall be filled in the same manner as the original appointment.

STANDING COMMITTEES SUBSTITUTES

SEC. 7. If at any meeting of these Committees a quorum be not present or the Officers shall have ascertained in advance thereof that a quorum will not be present, the member or members present, whether constituting a quorum or not, or the Chairman of the Board, the President, or the Vice President provided for in the Charter shall have the power to appoint a substitute or substitutes from the members of the Board of Directors to act during the temporary absence of any member or members of such Committees.

STANDING COMMITTEE RECORDS

SEC. 8. Each of said Committees shall keep, in books for that purpose, a record of its proceedings which shall be reported to the Board and also at any special meeting, if called for by the Board.

FINANCE COMMITTEE

SEC. 9. The Finance Committee shall exercise general control and supervision of the financial affairs and accounts of the Company and shall have charge of the investments, including purchase and sale of securities and the management of the assets of the Company, except those invested on bond and mortgage and real estate owned.

REAL ESTATE COMMITTEE

SEC. 10. The Real Estate Committee shall have charge of the management of the assets of the Company invested on bond and mortgage, including original investments and extensions or modifications of the same, and shall also have supervision of the real estate of the Company with power to authorize the Officers to sell the same, except the Company's Home or Head Office properties.

AUDITING COMMITTEE

SEC. 11. It shall be the duty of the Auditing Committee to examine vouchers, and audit accounts and receipts and disbursements of the Company; to have supervision of rules and methods for recording and auditing the same; and to make from time to time such examination thereof as they may deem necessary through public accountants or otherwise.

INSURANCE AND AGENCY COMMITTEE

SEC. 12. The Insurance and Agency Committee shall have general supervision of plans and policies of insurance and may exercise general supervision over the appointment of Managers, Assistant Managers, and Inspectors and contracts with the same, and the prescription of Territories and Districts.

HOME OFFICE COMMITTEE

SEC. 13. The Home Office Committee shall have general supervision of, and shall advise with the Officers concerning, the employees at the Home Office and Head Offices, of their care and compensation, and the administration by Departments and Divisions, and of the provision of office space.

WELFARE COMMITTEE

SEC. 14. The Welfare Committee shall have general supervision of the Company's Sanatorium and of the Medical, Dental, and other forms of welfare service at the Home Office and elsewhere and of the administration of the same.

CHAIRMAN OF THE BOARD AND PRESIDENT

SEC. 15. It shall be the duty of the Chairman of the Board, and in his absence, or in concurrence with the Chairman, of the President to exercise a supervision and superintendence over all the business and affairs of the Company; to report, at each regular meeting of the Board, the condition, standing, and affairs of the Company; to have the custody, in connection with the appropriate Officers, of the cash, assets, securities, and other property of the Company; to make investments, and to call in the same, and to sell the same with the consent of the Finance Committee or the Real Estate Committee; to have custody of the corporate seal of the Company, and to execute and acknowledge all papers necessary and proper to be executed in the performance of the foregoing duties; and to perform such other duties as usually devolve on the chief executive officers of like companies. It shall be the duty of the Chairman of the Board, or in his absence, of the President, to preside at all meetings of the Board.

VICE PRESIDENT—SECRETARY TO BOARD OF DIRECTORS

SEC. 16. It shall be the duty of the Vice President provided for in the Charter to consult and advise with the Chairman of the Board and with the President, whenever requested, in all matters and affairs of the Company; to keep the minutes of the proceedings of the Board of Directors and act as Secretary to the Board; to assist the Chairman of the Board and the President in the discharge of their duties whenever requested, and to have all the powers and to perform all the duties of the President in his absence or inability to act, and in concurrence with the Chairman of the Board and the President, to have general oversight of all the business and affairs of the Company.

OTHER VICE PRESIDENTS

SEC. 17. The duties of the other Vice Presidents shall be such as shall be designated by the Chairman of the Board or the President.

TREASURER

SEC. 18. It shall be the duty of the Treasurer to have the custody and the general oversight of the investments of the Company in bonds and stocks and collateral loans. He shall attend the meetings of the Finance Committee and make such recommendations as he deems advisable. He shall attend to the collection of interest and income. He shall have charge of the bank accounts and check books, and of the clerical forces in the Cashier's and Paymaster's Divisions.

He shall have general supervision of the disbursements and expenditures of the Company. He shall make regular reports as required to the Chairman of the Board, to the President, to the Finance Committee, and the Board of Directors.

SECRETARY

SEC. 19. It shall be the duty of the Secretary to provide and have supervision over such of the records and books of the Company as do not come under the charge of, and are not allocated to duties of, other Officers, and to certify such records and papers of the Company as may be necessary. He shall have general charge of that part of the clerical force of the Company, not under the charge of other Officers, having to do with the receipt of applications and preparation of policies for issue, including the Audit Division as it is divided among the Superintendents of Agencies, and shall have charge of the files and records in connection with their work. He shall exercise general supervision over all details of the Home Office systems and records incident to the performance of Field activities and of the District Office systems of accounting. He shall act as Secretary of the meetings of the Superintendents of Agencies and have supervision of the execution of such of their recommendations as shall have the approval of the Chairman of the Board or of the President. He shall perform such other duties as may be required by the Chairman of the Board, the President, or Board of Directors.

ACTUARIES

SEC. 20. It shall be the duty of the Actuaries to keep a strict account of all risks taken by the Company and of the registry and cancellations of the policies of the Company; to examine statistics and tables, and to make all the necessary mathematical and actuarial calculations relating to premium rates, dividends, reserves, and surrender values, forming the basis on which the Company shall take, cancel, or exchange risks, grant or purchase Annuities, and prepare proper tables of the same for common use, and to report at the meeting of the Board to be held on the fourth Tuesday in January, in each year (made up to the thirty-first day of December next preceding), the condition of the affairs of the Company, predicated upon an actuarial valuation of the obligations of the Company and of all its assets, contingent and in possession; to assist all Committees at their sittings when requested, and to perform all the general rules of an actuary.

COMPTROLLER

SEC. 21. It shall be the duty of the Comptroller to have, under the direction of the Chairman of the Board, and in his absence, or in concurrence with the Chairman, of the President, charge of the real estate belonging to the Company and of the Company's investments in bonds and mortgages except farm real estate and investments in farm mortgages.

MEDICAL DIRECTOR

SEC. 22. It shall be the duty of the Medical Director to formulate rules for the medical examination of applicants for insurance, claimants for disability and applicants for employment and to arrange for the necessary reports in each case; to give advice and counsel on the medical information submitted in these reports and papers whenever necessary, and to have general charge and supervision of medical parts of applications and claim papers; to have supervision of the appointment and removal of Medical Examiners; to have supervision, with the Welfare Committee, of the Sanatorium and of the physical examination and care of employees.

GENERAL COUNSEL

SEC. 23. The duties of the General Counsel shall be to render such services and legal advice to the Officers of the Company, the Board and Committees thereof, as they may request; legal services growing out of the investments, contracts engagements, claims, rights, remedies, and liabilities of the Company and out of statutes and bills introduced in legislative bodies, as the best interest of the Company may require; and he may employ other Attorneys for examination of titles, foreclosures, and for special counsel and advice and conduct of litigation. He shall perform such other legal services as may be designated, and such other duties as may be required by the Chairman of the Board or by the President.

AUDITOR

SEC. 24. It shall be the duty of the Auditor, under the supervision of the Chairman of the Board or of the President, to audit the accounts of the various Divisions of the business, to authenticate payments to and from the Home Office and the Agency Force and claimants and creditors; to prepare forms of vouchers and require proper execution of vouchers; to coordinate the various accounts and books of account of the office and to keep such general books as shall show the financial condition and affairs of the Company. He shall attend the meetings of the Auditing Committee.

STATISTICIAN

SEC. 25. It shall be the duty of the Statistician to examine and study the mortality, morbidity, and accident experience of the Company as to its employees and policyholders; to examine and study public statistics in any matters affecting the health and welfare of the community; to make and keep records thereof; to make recommendations as guides to the Officers having charge of the issue of insurance as to classification of risks; and to make reports and prepare theses on topics of value to the Company's business and on special subjects as requested by the Officers.

ECONOMIST

SEC. 26. It shall be the duty of the Economist to assemble and classify facts relating to the conduct of the Company's business and data affecting business conditions in which the Company is interested, to advise with the Officers and those in charge of Divisions, to report to the Officers his conclusions thereon and as to probable future trends in the respective matters under his investigation.

DEPOSITARIES

SEC. 27. All moneys received by the Company at its Home and Head Offices shall be deposited in the name of the Company under such regulations, and in such depositories as shall be designated by the Finance Committee. All investments in stocks and registered bonds, loans, loans upon bond and mortgage, shall be made in the name of Metropolitan Life Insurance Company, except such as are deposited with public officials pursuant to law.

EXECUTION OF INSTRUMENTS

Amendment adopted June 22, 1937

SEC. 28. Any two of the following Officers, namely, the Chairman of the Board, the President, the Vice-President provided for in the Charter, Treasurer, any other Vice-President, Secretary, Comptroller, General Counsel, and Personnel Officer, or any one of the foregoing Officers with an Assistant Secretary, Assistant Treasurer, Assistant Comptroller, or Assistant General Counsel, shall have power to execute transfers of stock, deeds, releases of mortgages, satisfaction pieces, and all other instruments entitled to be recorded within the State of New York or within any other jurisdiction, and all other contracts and instruments in writing necessary for the Company in the management of its affairs, and to attach the Company's seal when necessary.

CHECKS

All checks shall be signed by two of the following: the Chairman of the Board, the President, the Vice-President, provided for in the Charter, any other Vice-Presidents, the Treasurer, the Assistant Treasurers, the Secretary, the Assistant Secretaries, the Actuaries, the Comptroller, the Assistant Comptrollers, the Auditor, the Medical Directors, the Assistant Medical Directors, the General Counsel; and, at the Pacific Coast Head Office, the Cashier of the Pacific Coast Head Office, and the Superintendent of Agencies of the Pacific Coast Territory; and, at the Canadian Head Office, the Cashier of the Canadian Head Office, and the Superintendents of Agencies of the Canadian Territory; but the signature of the President may be printed in facsimile upon the checks.

STATEMENTS

SEC. 29. The Chairman of the Board, the President, or the Vice-President provided for in the Charter, and the Treasurer, Secretary, or an Actuary shall make all statements of the affairs of the Company required by law.

POLICIES

SEC. 30. Policies and contracts in the Ordinary Department including Ordinary, Intermediate, and Special Class policies, Annuity contracts, Accident and Health policies, and Group policies and Group contracts of whatever nature shall bear either (a) the facsimile signatures of the President and Secretary and the actual signature or personally inscribed initials of one of the Policy Registrars appointed for that purpose by the Chairman of the Board or by the President; or (b) the facsimile signatures of the President and Secretary and the actual signature of one of the Officers mentioned in Section 29, or of one of the Vice-Presidents or Assistant Secretaries; or (c) the actual signatures of any two of the Officers mentioned in Section 29, or of one of such Officers and of one of the Vice-Presidents or Assistant Secretaries.

Policies in the Industrial Department shall bear the facsimile signatures of the President and Secretary or shall be executed in the same manner as Ordinary policies.

Supplementary contracts, issued in exchange for any policy or contract, shall be executed in the same manner as is required for the original policy or contract.

Supplementary contracts or agreements to be attached to and made a part of any policy or contract shall bear the facsimile signature of the President or the Secretary, or both, and may also bear the actual signature or personally inscribed initials of one of the Policy Registrars.

Amendments to and endorsements of policies or Annuity contracts, except Group policies and Group contracts, shall bear the facsimile signature of the Secretary.

Amendments to and endorsements of Group policies and Group contracts shall bear the facsimile signature of the Secretary, and the actual signature or personally inscribed initials of one of the Policy Registrars appointed for that purpose by the Chairman of the Board or by the President, or the actual signature of (a) one of the Officers mentioned in Section 29; or (b) one of the Vice Presidents.

FACSIMILE SIGNATURE OF DECEASED OR RETIRED OFFICERS

SEC. 31. In case of the death or retirement from office of any Officer whose facsimile signature is authorized to be used in connection with policy forms, checks, receipts, or other instruments issued by the Company, such policies, checks, receipts, or other instruments may, nevertheless, be issued during a period of not to exceed six months thereafter bearing the facsimile signature of such deceased or retired Officer.

OFFICERS' GENERAL DUTIES

SEC. 32. Each Officer shall perform such duties as may be assigned to him by the Chairman of the Board, the President, the Vice-President provided for in the Charter, the Board of Directors or any of its Committees, and each Assistant to an Officer shall also perform such duties as may be assigned to him by the Officer or Officers to whom he is an Assistant.

BOARD VACANCIES

SEC. 33. Any vacancy or vacancies that may occur in the membership of the Board of Directors shall be filled by said Board by a vote by ballot upon nomination made to the Board four weeks prior to the vote; a favorable vote by a majority of all the members of the Board shall be necessary to election.

NOMINATIONS

SEC. 34. At least four weeks before the nomination of the administration ticket required by law for the biennial election of the Board of Directors there shall be submitted to the Board the names which it is proposed to place upon said ticket, and a favorable vote by a majority of all the members of the Board shall be necessary for each nominee.

ORDER OF BUSINESS

SEC. 35. The order of business at meetings of the Board shall be:

1. Calling the roll.
2. Reading of the minutes of the previous meetings not theretofore approved.
3. Report of the Officers.

4. Report of the respective Committees.
5. Communications, resolutions, notices, etc.
6. Unfinished business.
7. New business.

AMENDMENTS

SEC. 36. These By-Laws may be altered and amended only by a vote of two-thirds of the Directors present, at a regular or adjourned meeting, upon written notice, stating the proposed alteration or amendment, read at a meeting of the Board, at least four weeks before the same shall be acted upon.

EXHIBIT No. 239

[From files of Metropolitan Life Insurance Co., office of the Chairman of the Board]

DAVIS POLK WARDWELL GARDINER & REED
(STETSON JENNINGS & RUSSELL)
15 Broad Street, New York

JUNE 27, 1930.

Mr. FREDERICK H. ECKER,
President, Metropolitan Life Insurance Co.,
1 Madison Avenue, New York, N. Y.

DEAR MR. ECKER: I was greatly disappointed when just as I was leaving my office to attend the directors meeting on the 24th, matters came forward which made it impossible for me to get away. This has happened so often in the past and my attendance at meetings has been so infrequent that I am driven to the conclusion that I should get off the board and permit you to elect someone whose attendance can be more relied upon. I quite agree that no member of any board of directors should complain if he is called upon for half a day once a month. If he finds it, however, difficult or impossible to give even that much time, I think he should get out of the way.

I do not want to bring the question forward at a moment which might be for any reason inconvenient to you and so do not put this letter in the shape of a formal resignation; but I should be glad to have you indicate whether or not the present is an appropriate moment for the formal act.

Believe me, with cordial regards,

Sincerely yours,

JOHN W. DAVIS.

EXHIBIT No. 240

[From files of Metropolitan Life Insurance Co., office of the Chairman of the Board]

JULY 1, 1930.

Hon. JOHN W. DAVIS,
New York.

MY DEAR MR. DAVIS: I cannot tell you how much I am disturbed at the suggestion contained in your letter of June 27. Your public career and your high standing as a citizen of this community are so superlative that your presence on our board of directors has been a connection most complimentary to our company in connection with what it is trying to do in the United States and Canada, I should be distressed to have you leave us, but must bow to your feeling if, after further deliberation, you are still of the same mind.

I wish you would give the matter further thought in the hope that your decision will be otherwise. I have understood that because of your many engagements it was not always convenient to attend the regular meetings, but have felt that in case of necessity you would be available.

Why not let it stand that way, and please understand how very much I would like to have you continue with us if you can see your way to do so.

Very sincerely yours,

_____, *President.*

EXHIBIT No. 241

[From files of Metropolitan Life Insurance Co., office of the chairman of the board.]

APRIL 20, 1938.

Hon. L. A. TASCHEREAU,
187 Grande Allee, Quebec, Canada.

DEAR MR. TASCHEREAU: You may recall that, under the provisions of the New York law concerning the election of directors, our board will be required to make nominations for the next election, which takes place in April 1939. Under the prescribed procedure, the first step in making these nominations takes place in July this year. Inasmuch as I am expecting to be out of the country in July, I believe it is wise for me to communicate with you on the subject at this time.

I hardly need tell you how much we have valued the inclusion of your distinguished name in the list of our directors. You have honored the company by being one of its directors for the past 16 years. We have had much satisfaction in the feeling of your interest in the company and its activities.

It has transpired, however, that you have been unable to attend the meetings of the board and I am afraid that is a situation which should not be permitted to continue. I assume that you are not likely to find it convenient to attend such meetings in the future and I am, therefore, wondering whether at this time you would like to consider whether the board should renominate you.

You need not reply at present, unless you so desire. It happens that two of our vice presidents, familiar with the whole situation, will be in Quebec within the next month or 6 weeks and, if you prefer, I should like to authorize them to call on you and present my compliments in person and discuss the matter with you.

I hope this finds you in your customary good health.

Very truly yours,

— — — —, Chairman of the Board.

EXHIBIT No. 242

[From files of Metropolitan Life Insurance Co., office of the chairman of the board.]

QUEBEC, April 27, 1938.

FREDERICK F. ECKER,
President, Metropolitan Life Insurance Co.
New York, U. S. A.

DEAR MR. ECKER: I am in receipt of yours of the 20th instant and beg to thank you for your kind reference to myself.

May I be permitted to go into past history:

Some years ago, while in New York, I was approached by the then president of the company, Mr. Haley Fiske, and was asked by him to join the board. Mr. Fiske told me that, on account of his Canadian business and especially of the French Canadian clients of the Metropolitan Life he wished to add on the board the name of a well-known French Canadian. I was then the Prime Minister of the Province of Quebec.

It was distinctly understood at the time that, as I was a very busy man, I could not attend the meetings of the board, and I accepted the honor offered to me under this distinct condition which Mr. Fiske told me he fully understood. Needless to say that I was not invited for the services that I could render to a board composed of so distinguished men.

I, however, leave the matter entirely in your hands and will cheerfully accept whatever decision you will arrive at.

You state in your letter that two of your vice presidents will be in Quebec within the next month. I shall be very pleased, as you suggest, to meet them and discuss the matter together.

Sincerely yours,

L. A. TASCHEREAU.

EXHIBIT No. 243

[From files of Metropolitan Life Insurance Co., office of the president]

METROPOLITAN LIFE INSURANCE Co.,
San Francisco, Calif., March 18, 1935.

Mr. LEROY A. LINCOLN,
*Vice President, Metropolitan Life Insurance Co.,
 New York City.*

DEAR MR. LINCOLN: It has come to my attention that an unusual interest has been developed in the field in the matter of getting policyholders to vote for directors. On several occasions the agents have told me that policyholders are asking many questions about the various directors whose names appear on the ballot. Managers also tell me that their agents are making inquiry and asking for information about the directors. People want to know who they are, what position in public and private life they hold, as well as where they have their business location.

I pass this information along for what value it may be to you, but it does occur to me that it would be a nice thing if our entire field force had some knowledge of each of our directors in order that they would be in a position to answer such direct questions.

It is probably too late to get this information out before the ballots are counted at the home office, but it might be well to keep it in mind for a future year during which the election of directors takes place.

With kindest personal regards, I am

Sincerely yours,

JOHN H. ALMY,
Superintendent of Agencies.

[From the files of Metropolitan Life Insurance Co., office of the president]

MARCH 22, 1935.

Mr. JOHN H. ALMY,
*Superintendent of Agencies,
 San Francisco, Calif.*

DEAR MR. ALMY: I am just in receipt of your letter of March 18 informing us of interest in the field with respect to the forthcoming election of directors. We have had no similar report from other territories and I am somewhat at a loss to explain the special interest to which you refer.

Of course, it goes without saying that we are glad to have our policyholders take a genuine interest in the matter of election of directors. It is, as you say, a bit late to undertake to furnish the information which you suggest, but we will be glad to keep the suggestion in mind.

With very best regards, I am

Very truly yours,

Vice President and General Counsel.

"EXHIBIT No. 244" appears in Hearings, Part III, appendix, p. 1158

EXHIBIT No. 245

[From files of Metropolitan Life Insurance Co., office of assistant secretary, Mr. C. E. Tully]

Votes cast for directors

	1937	1935
In person.....	40	24
By mail.....	414,467	398,635
By proxy.....	24,068	22,685
Total.....	438,575	421,344
The president leads with.....	438,575	.....
The chairman is second with.....	438,116	.....
Mr. Follansbee is low with.....	437,663	.....

THE PRESIDENT

Just as a matter of interest to you, inspectors cooperated with us all the way through. Examination of ballots disposed of in 2 days. Inspectors have another half day to complete their report to department. "In person" votes all came from H. O. employees.

No "outsider" called. C. E. T.-4/16.

EXHIBIT No. 246

[From files of Metropolitan Life Insurance Co., office of assistant secretary, Mr. C. E. Tully]

JANUARY, 8, 1937.

BIENNIAL ELECTION OF DIRECTORS

Hon. LOUIS H. PINK,
Superintendent of Insurance, Albany, N. Y.

DEAR SIR: Section 2 of article V of the certificate of incorporation of Metropolitan Life Insurance Co. fixes the time for the next biennial election of directors as the second Tuesday of April, which will fall on April 13, 1937. The time limited by subdivision 9 of section 94 of the insurance law for independent nominations therefor expired on November 13, 1936, without any certificate of independent nominations being filed at the home office. As you know, subdivision 11 of section 94 provides that in default of independent nominations, all further proceedings in connection with the election as provided by section 94 may be omitted, and the election shall be conducted under such rules and regulations as the superintendent of insurance may prescribe.

For your convenience in carrying out the provisions of subdivision 11, we have prepared a set of suggested rules and regulations which are identical with the rules prescribed by Superintendent Van Schaick for the election of 1935, except for changes in the first, second, and sixth rules, as follows:

First. The word "fixed" in the first line of the first rule has been changed to the word "stated."

Second. The name of the New York Sun has been added to the other papers specified as satisfactory, for the reason that we desire to publish in the New York Sun, as well as in the three other papers heretofore used.

Sixth. The date of the next election, April 13, 1937, has been substituted for April 9, 1935, and the administration ticket for 1937, of which we advised you on August 31, 1936, has been substituted for that of 1935.

We are also enclosing for your approval printer's copies of form for policyholder's proxy, form of ballot and circular letter of advice to district offices concerning the election.

Very truly yours,

President.

[From files of Metropolitan Life Insurance Co., office of assistant secretary, Mr. C. E. Tully]

STATE OF NEW YORK, INSURANCE DEPARTMENT,
Albany, January 12, 1937.

Re biennial election of directors to be held on April 13, 1937.

LEROY A. LINCOLN,
*President, Metropolitan Life Insurance Co.,
New York City.*

DEAR SIR: Referring to your letter of January 8, the copy of rules for the election of directors of your company to be held on April 13, 1937, which you have submitted, appears satisfactory inasmuch as they coincide, with minor exceptions, with the rules prescribed for the 1935 election. Accordingly, you may consider the 1937 rules as having been officially promulgated by the department.

Your company will be notified at a later date as to the persons to be appointed as inspectors of election.

Very truly yours,

LOUIS H. PINK,
Superintendent of Insurance.
By CHARLES C. DUBUAR,
Principal Actuary.

[Copy]

THE RULES AND REGULATIONS FOR THE CONDUCT OF THE BIENNIAL ELECTION OF DIRECTORS OF THE METROPOLITAN LIFE INSURANCE COMPANY TO BE HELD ON THE 13TH DAY OF APRIL 1937

First. The election shall be held upon the date stated at the home office of the company, the polls to be opened at 10 o'clock in the forenoon and to remain open until 4 o'clock in the afternoon of the day of said election, at which time they will be closed.

Second. Notice of the time and place of holding said election shall be given by publication thereof in two public newspapers (satisfactory to the superintendent of insurance) printed in the city of New York, daily, for 2 successive weeks immediately preceding said election. Proof of publication of the notice of election shall be filed with the inspectors of election prior to the opening of the polls. It will be satisfactory if your company so desires to publish such notice in the New York Times, the New York World-Telegram, the New York Sun, and the New York Evening Journal.

Third. The company need not perform any of the requirements contained in subdivisions 12, 13, 14, 15, 20, and 23, respectively, of section 94, New York insurance law.

Subdivision 18 of said section 94 is hereby modified so as to permit the holders of proxies to cast a single ballot for the number of voters represented by them after the proxies held by them shall have been classified and counted by the clerks and verified to the satisfaction of the inspectors.

Subdivisions 24 and 26 of said section are hereby modified so as to permit the employment of clerks in the opening of envelopes, classification and counting of the ballots and their arrangement for verification under the supervision and instruction of the inspectors as soon after the opening of the polls as may be convenient.

Subdivision 34 of said section is hereby modified so as to permit the company, its agents and representatives to solicit, urge, and encourage policyholders in any way felt desirable to vote at said election.

Fourth. The superintendent of insurance shall appoint three inspectors of election who shall be vested with the powers prescribed in subdivision 22, section 94, New York insurance law. The compensation of the three inspectors shall not exceed \$50 each per diem. However, the department's representative will serve without extra compensation although a per diem charge based on his salary as in the case of examination may be made against your company.

Fifth. There having been no ticket nominated in opposition to the administration ticket, the votes of said election shall be limited to the candidates nominated on the administration ticket.

Sixth: The votes for said election shall be by ballot, which shall be voted in the following form:

OFFICIAL BALLOT FOR DIRECTORS OF THE METROPOLITAN LIFE INSURANCE CO., NEW YORK, N. Y., TO BE ELECTED AT THE BIENNIAL ELECTION ON APRIL 13, 1937

To serve for 2 years

Joseph P. Knapp
William H. Crocker
Morgan J. O'Brien
Frederick H. Ecker
John Anderson
Alanson B. Houghton
Mitchell D. Follansbee
Joseph P. Day
Langdon P. Marvin
Arthur Williams
L. A. Taschereau
Charles M. Schwab
William L. DeBost

Jeremiah Milbank
D'Alton Corry Coleman
Newcomb Carlton
Leroy A. Lincoln
Harry W. Croft
Thomas H. Beck
Walter Ewing Hope
Samuel W. Fordyce
Carroll Burnham Merriam
George Mc Aneny
Robert V. Fleming
Frederic W. Ecker

Seventh: A complete record showing in detail the proxies received and the votes cast, either by proxy or in person, shall be kept by the inspectors of election. Immediately upon closing the polls, the inspectors shall proceed to canvass the vote, and shall certify the result to the company and to the superintendent of insurance as soon as it is completed. The inspectors shall also forward to the superintendent of insurance the proof of publication filed with them by the

company, together with their certificate that the foregoing rules and regulations have been complied with in all particulars.

Eighth: All bills for or on account of the inspectors of election, their employees, assistants, necessary expense, or disbursements, during the conduct of such election and the canvass of the votes shall be approved by the superintendent of insurance before payment by the company.

EXHIBIT No. 247

[From the files of Metropolitan Life Insurance Co.]

A POLICYHOLDER HAS THE RIGHT TO VOTE EITHER BY MAIL OR BY PROXY OR IN PERSON

POLICYHOLDER'S PROXY

I, _____, of _____ the holder of policy No. _____ in the Metropolitan Life Insurance Co., do hereby constitute and appoint Edgar A. Tredwell, Samuel McRoberts, and John I. Downey, or any of them.

(Note: The policyholder using this form may strike out the names of the persons designated above and substitute therefor the name or names of any other person or persons whom he wishes to appoint proxy on his behalf.)

_____ jointly or severally, attorney(s) and agent(s) for me and in my name to vote as my proxy at the biennial election of directors of the Metropolitan Life Insurance Co., to be held at the home office of said company, 1 Madison Avenue, New York, N. Y., on the 13th day of April 1937, or at any adjournment thereof, revoking all proxies heretofore given for such purpose.

Witness my hand this _____ day of _____, 1937.

[Signature of policyholder]

In presence of _____
[Signature of subscribing witness].

INSTRUCTIONS FOR USE OF PROXY IN ACCORDANCE WITH REQUIREMENTS OF LAW

To vote by proxy.—Any policyholder may vote by proxy executed to any person. The execution of a proxy shall be attested by a subscribing witness and the proxy shall set forth the number of at least one policy held by the person giving it. When executed, the proxy should be sent to the person or persons appointed to vote thereunder.

No votes shall be cast at this election under any proxy executed prior to the 13th day of January 1937. A proxy shall be used only at such election or any adjournment thereof, and may be revoked by the policyholder at any time prior to the opening of the polls upon the day of such election.

An election of 25 directors of the Metropolitan Life Insurance Co. will be held at its home office, 1 Madison Avenue, New York, N. Y., April 13, 1937. The polls will be open from 10 o'clock a. m. to 4 o'clock p. m.

OFFICIAL BALLOT

FOR DIRECTORS OF THE METROPOLITAN LIFE INSURANCE CO., TO BE ELECTED AT THE BIENNIAL ELECTION ON APRIL 13, 1937

ADMINISTRATION TICKET

The several candidates named below are directors of the company who have been nominated by the board of directors to fill vacancies caused by the expiration of their respective terms of office.

Joseph P. Knapp
William H. Crocker
Morgan J. O'Brien
Frederick H. Ecker
John Anderson
Alanson B. Houghton
Mitchell D. Follansbee
Joseph P. Day
Langdon P. Marvin

Arthur Williams
L. A. Taschereau
Charles M. Schwab
William L. De Bost
Jeremiah Milbank
D'Alton Corry Coleman
Newcomb Carlton
Leroy A. Lincoln
Harry W. Croft

Thomas H. Beck
Walter Ewing Hope
Samuel W. Fordyce
Carroll Burnham Merriam
George McAneny
Robert V. Fleming
Frederic W. Ecker

I hereby cast my ballot for the election of the candidates named above.

Dated at.....
.....1937

(Signature of policyholder)

Signed in presence of

Policy No.

(Signature of subscribing witness)

INSTRUCTIONS FOR EXECUTING OFFICIAL BALLOT IN ACCORDANCE WITH REQUIREMENTS OF LAW

Each policyholder whose policy shall be in force on the 13th day of April 1937, and shall have been in force for at least 1 year prior to said date, will be entitled to vote. Every other person having a right to vote by virtue of any contract made prior to the enactment of the statute (April 27, 1906), which contract shall remain in force till the date of the election, shall also be entitled to vote.

Unless the policy shall have been assigned by an assignment absolute on its face to an assignee other than the company, prior to October 13, 1936, the person upon whose application the policy shall have been issued, or if the application be signed by more than one person, the person whose life is insured, shall be entitled to vote. In case a policy shall have been assigned as aforesaid, the assignee shall be deemed a policyholder entitled to vote, provided his signature, either attested by the assignor or acknowledged in like manner as in case of a deed to be recorded in the State of New York, shall have been filed at the home office of the company.

The polls will open at 10 o'clock in the forenoon and close at 4 o'clock in the afternoon of April 13, 1937. No ballots received by mail or delivered at the office of the company or offered personally or by proxy after the polls are closed shall be counted.

To vote in person.—The policyholder may attend at the home office of the company, at No. 1 Madison Avenue in the Borough of Manhattan in the city and State of New York, on April 13, 1937, between the hours of 10 a. m. and 4 p. m., at which place and during which time the polls will be open, and offer personally an official ballot duly executed by him, or he may, at any time before the polls are closed on said date, personally deliver his ballot at said home office.

To vote by mail.—A policyholder must indicate the name of the nominee or nominees for whom he desires to vote, or strike out the name or names of those for whom he does not desire to vote, upon an official ballot; and must sign the said ballot in his own handwriting in the presence of a subscribing witness, and place or cause to be placed thereon the number of at least one policy held by him.

Such policyholder may enclose the ballot in an envelope, which should be marked "Ballot for directors." Such envelope containing the ballot, sealed and postpaid, may be mailed by the policyholder to, or may be delivered at, the home office of the company.

No policyholder may vote for more than 25 directors. Only candidates nominated as shown in this ballot can be voted for. All ballots upon which the intent of the policyholder does not fairly appear shall be void.

INSTRUCTIONS FOR USE OF PROXY IN ACCORDANCE WITH REQUIREMENTS OF LAW

A policyholder has the right to vote by mail or by proxy or in person.

To vote by proxy.—Any policyholder may vote by proxy executed to any person. The execution of a proxy shall be attested by a subscribing witness and the proxy shall set forth the number of at least one policy held by the person giving it. When executed the proxy should be sent to the person or persons appointed to vote thereunder.

No votes shall be cast at this election under any proxy executed prior to the 13th day of January 1937. A proxy shall be used only at such election or any adjournment thereof, and may be revoked by the policyholder at any time prior to the opening of the polls upon the day of such election.

EXHIBIT No. 248

[From files of Metropolitan Life Insurance Co., office of the president]

METROPOLITAN LIFE INSURANCE Co.,
New York City, January 25, 1937.

In re election of directors.

To managers and detached assistant managers.

GENTLEMEN: You have already had notice of the election of members of the board of directors to be held in the home office of the company, 1 Madison Avenue, New York, N. Y., on the 13th day of April 1937. Official ballots and forms of proxies for the use of policyholders in your district have been sent to you for distribution. It is my wish that your agents should endeavor to interest as many policyholders as possible in this election. They are members of the corporation and entitled by law to vote for directors, and they should be desirous of exercising such privilege. It is incumbent upon your agents to bring this right to their notice and to endeavor to make them understand its significance.

In the ordinary case, policyholders will prefer to vote directly, which they may do by signing an official ballot before a witness who must also sign, and writing on the ballot the number of at least one policy on the voter's life that has been in force more than 1 year. The amount of insurance does not signify. Each policyholder has one vote, without regard to the number of policies or the amount of his insurance. All necessary instructions are printed on the ballots and on the proxy forms. Signed ballots and executed proxies may be delivered to the agent or mailed to the home office, according to the preference of the policyholder.

Forty ballots and four proxies per agent have been sent to your district, and should be distributed to your staff in such a way as will stimulate in them a spirit of friendly competition to procure the greatest number of completed ballots.

A good way to handle this election material is to give each agent a part only of the supply of ballots and proxies provided for him, and to see that, within a definitely set time, he turns them in properly completed. These ballots are not merely for distribution, but are intended for use. As soon as an agent has exhausted his first instalment of ballots and proxies, he should be given another lot and encouraged to exert every reasonable effort to have them used. Meanwhile, completed ballots and proxies should be promptly transmitted by first-class mail to the home office in an envelope marked:

"Ballot for Director"
Metropolitan Life Insurance Co.,
1 Madison Avenue, New York, N. Y.

Please send to Mr. C. E. Tully, assistant secretary, with each shipment a report of ballots and proxies completed by your staff. The enclosed blank form has been prepared for your convenience in doing this.

If more ballots or proxy forms can be used, your requisition therefor should be sent to Mr. Tully, who will see that it is filled immediately. The Canadian managers requisitions are to be sent to Mr. D. W. Kelly, assistant secretary, and those on the Pacific coast to Mr. Edward G. Galt, assistant secretary.

I hope that you will feel a personal responsibility for the result I have in mind, viz, that a truly representative number of policyholders in your district shall avail themselves of this opportunity to participate in the coming election.

Very truly yours,

LEROY A. LINCOLN, President.

METROPOLITAN LIFE INSURANCE Co.,
New York, N. Y., January 21, 1937.

In re BIENNIAL ELECTION OF DIRECTORS.

To Managers and Detached Assistant Managers.

GENTLEMEN: The biennial election of directors of the company will be held at the home office in New York, on April 13, 1937. The polls will be open from 10 o'clock in the morning until 4 o'clock in the afternoon.

Under the provisions of the insurance law of New York every policyholder in this company whose policy has been in force for at least 1 year prior and shall be in force at the time of the election of directors shall have the right to vote for members of the board of directors.

In the next issue of The Metropolitan there will appear a notice advising policyholders of the election and of the desire of the officers that they should vote. They are encouraged to apply for particulars to any agent of the company, who will furnish them with either a ballot or a proxy, as they may desire.

There will be shipped to you in the near future a supply of both proxies, form T. 2903 B, and ballots, form T. 2903 C. Full instructions for the due completion of ballots and proxies are printed on these forms. Should the supply which we forward run low at any time before the election, please make prompt requisition on the home office, or, in the Pacific coast and Canadian territories, on the appropriate head office, for an additional supply, in order that there may be no occasion for any policyholder to claim that he was not afforded the opportunity to vote.

All policyholders whose policies shall be in force on April 13, 1937, and shall have been in force for at least 1 year prior thereto, will be entitled to vote. The person upon whose application the policy shall have been issued, or if the application be signed by more than one person, the person whose life is insured, is deemed to be the policyholder so entitled to vote. Where the policy shall have been assigned more than 6 months prior to the election by an assignment absolute on its face to an assignee other than the company, such assignee will be deemed to be the policyholder entitled to vote, provided his signature, either attested by the assignor or acknowledged in like manner as in case of a deed to be recorded in the State of New York, shall be filed at the home office of the company. Every policyholder shall be entitled to one vote only, irrespective of the number of policies or the amount of insurance held by him.

Many thousands of policyholders have voted at the elections held since 1904, and it is the desire of the executive that they should exercise their right to vote at the election to be held on April 13 next.

Yours truly,

LEROY A. LINCOLN, *President.*

EXHIBIT No. 249

[From files of Metropolitan Life Insurance Co., office of assistant secretary, Mr. C. E. Tully

JULY 27, 1938.

METROPOLITAN LIFE INSURANCE CO.,
OFFICE OF THE SECRETARY,
1 Madison Avenue, New York, N. Y.

GENTLEMEN: I am the holder of policy No. 11594395 A. I notice on the policy that directors of the company are elected at a given time. Please send me a copy of the constitution and by-laws of the company together with particulars on how to vote in the forthcoming election of directors.

I shall thank you for your prompt attention.

Yours very truly,

J. ALMYK LIEBERMAN.

JULY 29, 1938.

Policy No. 11594395-A.
Mr. J. ALMYK LIEBERMAN,
1776 Broadway, New York City.

DEAR SIR: This is in response to your letter of the 27th.

The by-laws of this company contain no provisions whatsoever governing corporate elections.

Section 2 of article V of the company's certificate of incorporations fixes the date for the biennial election of directors on the second Tuesday of April in every odd year.

The election of directors of insurance companies organized in New York is covered by the provisions of section 94 of the New York insurance law which is very elaborate in detail, comprising 35 subsections which occupy the greater part of seven pages of the statute book. This law makes provisions for an administration ticket and for independent tickets. The administration ticket is required to be nominated by the board of directors at least 7 months prior to the day of any election. Independent nominations may be made by petition of policyholders filed with the superintendent of insurance not less than 5 months before the election. The minimum number of nominations is 1 percent of the total policies in force.

The next election will be held on the second Tuesday of April 1939. We shall have pleasure in sending you on or about March 15 of that year, a ballot and a proxy, either one of which may be used to record your vote at that election.

Yours truly,

_____,
Assistant Secretary.

RENEWAL DIVISION

Section

DATA SLIP

Requested by: _____
 Division: _____ Date: July 28, 1938
 No.: 11594395-A Dist.: Midwood
 Name: J. Almyk Lieberman.
 Address: 1776 Broadway, New York, N. Y.
 Prem. pay.: \$3.60. How pay.: A. Loan: No.
 No. of years paid: _____ Paid to: June 14, 1939.
 Date of last payment: July 16, 1938. Standing of policy: In force.
 Receipt at: _____

Notations on Card

SPECIAL DATA

Writing agent: L. Farber. Dividend data: None.
 Debit No.: 22.
 Amt.: \$5,000. Premium notice data: N. Y.
 Ann'l prem.: \$93.60. Sent regular? _____ Retd? _____
 Plan: Whole Life D. W. Address sent: _____
 Age: 27.
 Date of issue: June 14, 1937.
 Data clerk: A. C. Date: July 28, 1938.

EXHIBIT No. 250

[From files of Metropolitan Life Insurance Co., office of Assistant Secretary, Mr. C. E. Tully]

KANSAS CITY., Mo., September 29, 1936.

DEAR SIR: Kindly advise me as a policyholder how to vote. Is there one vote for each policy, one for each holder, or is the vote regulated by the amount of insurance carried?

Yours very truly,

C. L. FONTAINE,
Kansas City, Mo.

OCTOBER 9, 1936.

Mr. C. L. FONTAINE,
Kansas City, Mo.

DEAR SIR: This is in response to your post card request of the 29th ultimo for information as to voting for election of directors.

The next election will be held on the second Tuesday in April of next year.

We will have pleasure in sending you on or about February 15 a ballot and proxy either one of which may be used to record your vote. Full instructions for voting will appear on each.

Every policyholder is entitled to only one vote irrespective of the number of policies or the amount of the insurance held by him.

Yours truly,

_____, Assistant Secretary.

OCTOBER 9, 1936.

Mr. HENRY V. PARTY,
Manager, Pennway, Mo.

(C. L. Fontaine, 7431 Merceir Street, Kansas City, Mo.)

DEAR SIR: Will you please find out and tell us something about the above named—his business, general standing in the community, the numbers of his policies plus the numbers of others in force on the lives of the members of his family and the D. L. P.

We ask for this information as the result of his request of us for advice as to how he is to proceed to vote for the directors of the company at the next election. We are, of course, giving him the desired information. We have also told him that we will have pleasure, on or about February 15, in sending him a ballot and a proxy either one of which may be used to record his vote; that full instructions as to how to vote will appear on each form, and that, irrespective of the number of policies and the total amount of insurance he has, he is entitled to only one vote.

There is no need for you to send one of your men to question him. Casual inquiries of the agent or of others in the neighborhood of his business should enable you to give us a pretty good line on him and his interest in the company.

Yours truly,

_____, *Assistant Secretary.*

METROPOLITAN LIFE INSURANCE COMPANY,
 PENNWAY DISTRICT,
 Kansas City, Mo., October 13, 1936.

Mr. C. E. TULLY,
Assistant Secretary.

DEAR SIR: In regard to Mr. Fontaine, I will give you the following report. This man has \$27,500 of Metropolitan 10 year term policy with our Agent Brown, debit 76.

He is a grain broker. He also has \$10,000 worth of insurance in some Texas company. He has recently requested the figures to change his term insurance to whole life and pay all the required amount from the date of issue. But up to the present time, we have not been able to collect this amount from him. He is an exceptionally high type business man and his home conditions are ideal. He has two grown daughters in boarding school and has, at one time, been a very wealthy man.

He is making quite a bit of money now and we think should have more life insurance according to his standing.

This, I am sure, will give you a picture of this man according to your letter of October 9.

Yours very truly,

H. V. PARTY, *Manager.*

[Be sure correct policy number appears above. Refer to any previous correspondence in letterhead]

“EXHIBIT No. 251”, introduced on p. 1341, is on file with the committee

EXHIBIT No. 252

[Schedule prepared by Charles Everett Judson, assistant secretary of New York Life Insurance Co., showing number of votes cast for board of directors 1908-38]

Year:	Number of votes	Year—Continued:	Number of votes
1908.....	62	1929.....	286
1909.....	32	1930.....	278
1911.....	41	1931.....	234
1913.....	179	1932.....	168
1915.....	69	1933.....	187
1917.....	99	1934.....	174
1919.....	33	1935.....	205
1921.....	345	1936.....	322
1923.....	215	1937.....	318
1925.....	264	1938.....	297
1927.....	266		

EXHIBIT No. 253

[From files of Acacia Mutual Life Insurance Co.]

ACACIA MUTUAL LIFE INSURANCE COMPANY

CHARTERED BY THE CONGRESS OF THE UNITED STATES IN 1869

Washington, D. C., November 26, 1938.

William Montgomery, President

DIRECTORS

Obas. E. Baldwin, assistant commissioner (retired), United States Bureau of Labor Statistics, Washington, D. C.
 Harry Blake, chairman of the board, Barber & Ross, Inc., Washington, D. C.
 James E. Colliflower, president, Jas. E. Colliflower & Co., Inc., Washington D. C.
 Chas. Cyrus Coombs, Colonel (retired) Chemical Warfare Service, United States Army, Washington, D. C.
 William K. Cowden, attorney at law, Huntington, W. Va.
 Paul B. Cromelin, member, Cromelin, Townsend, Brooke & Kirkland, attorneys at law, Washington, D. C.
 J. Harry Cunningham, president, Lanman Engraving Co., Washington, D. C.
 L. Whiting Estes, director, Washington Loan and Trust Co., Washington, D. C.
 Robert V. Fleming, president and chairman of the board, The Riggs National Bank of Washington, D. C.
 E. C. Graham, president, Hamilton National Bank, president, National Electrical Supply Co., Washington, D. C.
 Joseph H. Himes, partner, E. A. Pierce and Co., brokers, New York, N. Y., president, Joseph H. Himes Co., Inc., Washington, D. C.
 Thomas E. Jarrell, realtor and general insurance, Washington, D. C.
 Howard W. Kacy, vice president and general counsel, Acacia Mutual Life Insurance Co., Washington, D. C.
 J. Claude Keiper, grand secretary F. A. A. M. and R. A. M., D. C., grand recorder, Grand Commandery, K. T., D. C., Washington, D. C.
 Arthur D. Marks, Washington Post Newspaper, Washington, D. C.
 John T. Meany, vice president, Waggaman-Brawnner Realty Corporation, Washington, D. C.
 Joseph H. Milans, patent attorney, Washington, D. C.
 William Montgomery, president, Acacia Mutual Life Insurance Co., Washington, D. C.
 Edward J. Murphy, president, E. J. Murphy Co., Inc., Washington, D. C.
 Dr. J. B. Nichols, medical director, Acacia Mutual Life Insurance Co., Washington, D. C.
 L. P. Steuart, president, L. P. Steuart, Inc., Washington, D. C.
 Frank J. Stryker, president, Columbia National Bank, Washington, D. C.
 Eugene E. Thompson, E. E. Thompson & Co., investment securities, Washington, D. C.
 Roger J. Whiteford, member, Whiteford, Marshall, Hart & Carmody, attorneys at law, Washington, D. C.
 Lloyd B. Wilson, president, Chesapeake & Potomac Telephone Cos., Washington, D. C.

NOMINATIONS FOR DIRECTORS

DEAR SIR: Your attention is called to the following section of the bylaws:

"NOTICE FOR NOMINATIONS AND QUALIFICATIONS FOR DIRECTORS

"SEC. 6. On or before December 15 of each year the board of directors, through the secretary, shall send to every policyholder a list of the names of the directors whose terms expire at the next annual meeting and request nominations to fill the vacancies.

"Any policyholder may become a candidate for director upon being nominated by 25 or more policyholders. All nominations must be in writing, signed by the policyholder making the nomination and filed with the Secretary on or before January 15 of each year. At the first regular meeting of the board of directors following, the Secretary shall submit a complete list of all those who have been nominated for the position of director and the board of directors shall thereupon declare as nominees all the policyholders who have been nominated in accordance with the provisions of this section."

We are enclosing herewith a list of the directors whose terms of office expire at the annual meeting of the company on March 21, 1939, and request that you either nominate those listed to succeed themselves or others to take their places. The plan of nomination is exceedingly simple and fully set forth in the above section of the bylaws.

All nominations must be filed with the secretary on or before January 15, 1939.

Yours truly,

S E. MOORE, *Secretary.*

ACACIA MUTUAL LIFE INSURANCE COMPANY

Home office: Washington, D. C.

NOMINATIONS FOR DIRECTORS

Directors whose terms expire at the annual meeting of the company Mar. 21, 1939		Write below the names of the policyholders you wish to nominate for positions as directors of The Acacia Mutual Life Insurance Co.	
Name	Address	Name	Address
Paul B. Cromelin.....	District of Columbia....		
L. Whiting Estes.....	do.....		
Robert V. Fleming.....	do.....		
J. Claude Kelper.....	do.....		
Arthur D. Marks.....	do.....		
Frank J. Stryker.....	do.....		
Lloyd B. Wilson.....	do.....		

Dated at _____ this _____ day of _____ 193__

Signature of policyholder

EXHIBIT No. 254

[From files of Acacia Mutual Life Insurance Co.]

PROXY

Know all men by these presents,

That I, _____, do hereby constitute and appoint William Montgomery my attorney and agent, for me and in my name, place and stead, to vote as my proxy at any and all elections for the board of directors of the Acacia Mutual Life Insurance Co., and to vote for me and in my stead, upon any questions or matter that may come before any regular or special meetings of the policyholders of the company, as if there personally present.

In the event of the death or inability of said William Montgomery to act, then I do hereby constitute and appoint those persons at that time constituting the executive committee of the board of directors, of the Acacia Mutual Life Insurance Co. as my attorney or attorneys, agent or agents, for me and in my name, place and stead, by a majority vote of those present at any meeting called for that purpose by the person then acting as secretary of the company, to vote this proxy as aforesaid. This power of attorney or proxy is to be in effect until revoked by me.

In witness whereof, I have hereunto set my hand and seal this _____ day of _____, 1939.

(Witness to signature)_____
(Signature of policyholder)

[SEAL]

[If you sign this proxy do not sign ballot.]

PROXY

Know all men by these presents,

That I, _____, do hereby constitute and appoint _____ my attorney and agent for me, and in my name, place and stead, to vote as my proxy at any and all elections for the board of directors of the Acacia Mutual Life Insurance Co., and to vote for me and in my stead upon any questions or matters that may come before any regular or special meetings of the policyholders of the company, as if there personally present. This power of attorney or proxy is to be in effect until revoked by me.

In witness whereof, I have hereunto set my hand and seal this _____ day of _____, 1939.

(Witness to signature)_____
(Signature of policyholder)

[SEAL]

Note policy number here, if convenient:

[If you sign this proxy do not sign ballot.]

ACACIA MUTUAL LIFE INSURANCE CO.

BALLOT FOR DIRECTORS FOR 3 YEARS

VOTE FOR SEVEN ONLY

STRIKE OFF ONE NAME

I hereby cast my vote for the following policyholders to serve as directors of the Acacia Mutual Life Insurance Co. for the ensuing 3 years:

RENOMINATED

Paul B. Cromelin.....	District of Columbia
L. Whiting Estes.....	District of Columbia
Robert V. Fleming.....	District of Columbia
J. Claude Keiper.....	District of Columbia
Arthur D. Marks.....	District of Columbia
Frank J. Stryker.....	District of Columbia
Lloyd B. Wilson.....	District of Columbia

NEW NOMINEE

William H. Ellis..... Birmingham, Ala.

Dated at this day of
1939.

(Signature of policyholder)

Note policy number here, if convenient:

[If you sign this ballot, do not sign proxy]

EXHIBIT No. 255

[Source: Prepared by Dr. Donald Davenport, Special Economic Consultant, Insurance Study, Securities and Exchange Commission]

THE 12 LARGEST MUTUAL LIFE INSURANCE COMPANIES

Policyholders, possible votes, votes actually cast in election of directors, 1935, 1936, and 1937

Company	Number			Percentage ratio of vote cast to possible votes ¹
	Policy-holders ¹	Possible votes ¹	Votes actually cast per director	
1937				
Metropolitan Life Insurance Co.....	27,111,000	24,821,000	437,804	1.76
The Prudential Insurance Co. of America.....	21,300,000	12,200,000	306,675	2.51
New York Life Insurance Co.....	2,000,000	1,850,000	318	.02
The Equitable Life Assurance Society of the United States.....	1,149,500	1,072,000	532	.05
The Mutual Life Insurance Co. of New York.....	865,000	805,000	177	.02
The Northwestern Mutual Life Insurance Co.....	635,000	635,000	74	.01
John Hancock Mutual Life Insurance Co.....	5,170,000	5,250,000	1,169	.02
The Penn Mutual Life Insurance Co.....	367,674	1,651,678	12,480	.76
Mutual Benefit Life Insurance Co.....	364,004	(²)	8,364	-----
Massachusetts Mutual Life Insurance Co.....	363,696	486,000	288	.06
New England Mutual Life Insurance Co.....	253,950	278,500	531	.19
Provident Mutual Life Insurance Co. of Philadelphia..	189,000	189,000	2,395	1.27

¹ Based upon replies from respective companies. In some cases these were specified as "estimates" by responsible company officers.

² Information received from individual companies.

³ Percentage ratio of (3) to (2).

⁴ No votes cast by mail or proxy in 1937 election.

⁵ Proxies prohibited by State regulation.

⁶ Proxies prohibited by company charter.

⁷ Unknown.

Policyholders, possible votes, votes actually cast in election of directors, 1935, 1936, and 1937—Continued

Company	Number			Percentage ratio of vote cast to possible votes
	Policy-holders	Possible votes	Votes actually cast per director	
1936				
Metropolitan Life Insurance Co.....		(9)		
The Prudential Insurance Co. of America.....	20,800,000	11,600,000	243,689	2.10
New York Life Insurance Co.....	1,950,000	1,800,000	322	.02
The Equitable Life Assurance Society of the United States.....	1,122,300	1,051,000	723	.07
The Mutual Life Insurance Co. of New York.....		(9)		
The Northwestern Mutual Life Insurance Co.....	620,000	620,000	86	.01
John Hancock Mutual Life Insurance Co.....	4,830,000	4,910,000	1,236	.03
The Penn Mutual Life Insurance Co.....	355,722	1,931,872	10,910	.56
The Mutual Benefit Life Insurance Co.....	363,386	(8)	7,897	
Massachusetts Mutual Life Insurance Co.....	357,374	478,000	346	.07
New England Mutual Life Insurance Co.....	242,950	265,900	549	.21
Provident Mutual Life Insurance Co. of Philadelphia..	186,000	186,000	2,480	1.33
1935				
Metropolitan Life Insurance Co.....	25,876,000	23,657,000	422,092	1.78
The Prudential Insurance Co. of America.....	20,200,000	11,100,000	239,018	2.15
New York Life Insurance Co.....	1,925,000	1,775,000	205	.01
The Equitable Life Assurance Society of the United States.....	1,110,300	1,041,000	623	.06
The Mutual Life Insurance Co. of New York.....	860,000	801,000	140	.02
The Northwestern Mutual Life Insurance Co.....	611,000	611,000	60	.01
John Hancock Mutual Life Insurance Co.....	4,480,000	4,550,000	858	.02
The Penn Mutual Life Insurance Co.....	348,987	1,799,068	10,299	.57
The Mutual Benefit Life Insurance Co.....	368,874	(8)	8,098	
Massachusetts Mutual Life Insurance Co.....	351,764	470,000	305	.06
New England Mutual Life Insurance Co.....	233,200	256,400	571	.22
Provident Mutual Life Insurance Co. of Philadelphia..	185,000	185,000	2,514	1.36

Sources:

* Unknown.

* No election.

EXHIBIT No. 256

Announcement of meeting for the election of directors

[Summary of methods employed in mutual and proprietary life-insurance companies to inform policyholders of forthcoming meetings for purpose of electing directors. Based upon an analysis of replies received to the preliminary questionnaire sent to life-insurance companies by the Securities and Exchange Commission, September 1938]

MUTUAL COMPANIES

Methods employed	Companies	
	Number	Percent of total number
A. Special notices sent by mail or special notices by mail in combination with other methods:		
Notice by mail, on premium receipt, by publication and on policy.....	1	
Notice by mail, on premium receipt, and by publication.....	1	
Notice by mail and publication.....	6	
Notice by mail, on premium receipt and on policy.....	1	
Notice by mail and on premium receipt.....	1	
Notice by mail and on policy.....	3	
Notice by mail only.....	15	
Subtotal.....	28	35.00

Announcement of meeting for the election of directors—Continued

MUTUAL COMPANIES—Continued

Methods employed	Companies	
	Number	Percent of total number
B. Notice on premium receipt alone, or on premium receipts in combination with other methods (exclusive of the methods shown above):		
Notice on premium receipt, on policy, and by publication.....	11	-----
Notice on premium receipt and by publication.....	6	-----
Notice on premium receipt and on policy.....	2	-----
Notice on premium receipt only.....	2	-----
Subtotal.....	21	26. 25
C. Methods other than those shown above:		
Notice by publication and on policy.....	3	-----
Notice by publication and through agents.....	1	-----
Notice on policy or on policy jacket only.....	19	-----
Notice by publication only.....	6	-----
All other forms of notice.....	2	-----
Subtotal.....	31	38. 75
Total for mutual companies.....	80	100. 00

METHODS EMPLOYED BY THE 12 LARGEST MUTUAL LIFE INSURANCE COMPANIES IN NOTIFYING POLICYHOLDERS OF MEETINGS FOR THE ELECTION OF DIRECTORS

Metropolitan Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain selected newspapers published in New York City, a notice printed on the policy itself, a notice printed on premiums or on premium receipt books, notices inserted in *The Metropolitan*, a policyholders' paper published by the *Metropolitan Life Insurance Co.*, and by notices delivered verbally to a number of policyholders by the agency force itself.

The Prudential Life Insurance Co. of America.—Policyholders are notified of their right to vote by advertisements inserted in newspapers published in the capital of each State in which the *Prudential Life Insurance Co. of America* does business and by notices delivered through the agency force itself.

New York Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers published in the City of New York and by a notice printed on the premium receipt.

The Equitable Life Assurance Society of the United States.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers in the City of New York, by a notice printed on the premium receipt, and by bulletins posted in branch offices.

The Mutual Life Insurance Co. of New York.—Policyholders are notified of their right to vote by advertisements inserted in certain selected newspapers published in New York City and by notices printed on premium receipts.

The Northwestern Mutual Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in various newspapers published in the State of Wisconsin.

John Hancock Life Insurance Co.—Policyholders are notified of their right to vote by a notice printed on premium receipts and on premium receipt books and by a notice printed on the policy itself.

The Penn Mutual Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers published in the city of Philadelphia, and by notices printed on premium receipts.

Mutual Benefit Life Insurance Co. of New Jersey.—Policyholders are notified of their right to vote by advertisements inserted in newspapers published in New Jersey, and by a notice printed on the policy jacket, and on the premium receipt.

Massachusetts Mutual Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers published in the city of Springfield, by a notice printed on the premium receipt and by a notice printed on the policy itself.

New England Mutual Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers published in the

city of Boston, by a notice printed on the premium receipt, and by a notice printed on the policy itself.

Provident Mutual Life Insurance Co.—Policyholders are notified of their right to vote by advertisements inserted in certain newspapers published in the city of Philadelphia, by a notice printed on the policy jacket, by a notice printed on the premium receipt, and by special notices sent by mail to a group of 10,000 different policyholders every year.

EXHIBIT No. 257

Summary of methods employed by mutual life insurance companies in notifying policyholders and by proprietary life insurance companies in notifying stockholders of meetings to be held for the election of directors

Classes of companies	Number of companies employing		
	Special notice sent by mail	Other methods	Total
Mutual companies.....	28	52	80
Proprietary companies.....	214	27	241

Classes of companies	Percentages of companies employing		
	Special notices sent by mail	Other methods	Total
Mutual companies.....	35.0	65.0	100
Proprietary companies.....	88.8	11.2	100

EXHIBIT No. 258

[Statements by authorities re the subject of mutuality in life-insurance companies]

ELIZUR WRIGHT: "POLITICS AND MYSTERIES OF LIFE INSURANCE" (1873)

We have in fact the anomaly of a company, having an annual revenue of \$15,000,000, with about \$60,000,000 in hand, which though constitutionally "mutual" and theoretically perfectly democratic, is, de facto, autocratic, the chief officer holding proxies enough to secure his own reelection, in spite of any opposition short of the miraculous. An autocracy may be the best government in the world or it may not be, according to the character of the autocrat. The prejudices of our country are certainly not in its favor.

REPORT OF JOINT COMMITTEE OF THE SENATE AND ASSEMBLY OF THE STATE OF NEW YORK TO INVESTIGATE AND EXAMINE INTO THE BUSINESS AND AFFAIRS OF LIFE-INSURANCE COMPANIES (VOLUME X (ARMSTRONG COMMITTEE) 1906)

Notwithstanding their theoretical rights, policyholders have had little or no voice in the management. Entrenched behind proxies, easily collected by subservient agents and running for long periods, unless expressly revoked the officers of these companies have occupied unassailable positions and have been able to exercise despotic power. Ownership of the entire stock of an unmixed stock corporation scarcely could give a tenure more secure. The most fertile source of evils in administration has been irresponsibility of official power. However much this may be expected in the case of absolute stock control, in that of a mutual company it proceeds from a flagrant disregard of the law of its being. While it would be plainly unwise that the management of a life-insurance company should be rendered unstable or that its personnel should be frequently changed, it is of

the first importance that officers should realize their direct responsibility to those whom they represent and should rely for their continuance in office upon proved efficiency and not upon a practical inability of the policyholders to depose them.

EFFORT OF THE COMMISSION TO RECODIFY THE INSURANCE LAWS UNDER CHAPTER 11 OF THE RESOLVES OF 1906 MADE TO HIS EXCELLENCY CURTIS GUILD, JR., GOVERNOR OF THE COMMONWEALTH OF MASSACHUSETTS, JUNE 1906

How to secure the effective exercise of the franchise of the policyholders of a mutual company is a problem that has engaged the serious attention of both the Chicago committee and the Armstrong Committee. The former suggests that each policyholder be notified by mail of every meeting; that members may cast their votes personally or by mail, or by proxy, or by representation; that a system of cumulative voting shall be adopted; that a list of the candidates for offices shall be mailed to each member at least 30 days before election; and it provides for the holding of district meetings by policyholders, at the expense of the company, for the election of district representatives to attend and vote at the meetings of the company. The Chicago committee has further condemned the compulsory publication of lists of policyholders by the companies.

The Armstrong Committee opposes the plan for district representation, and has commended a very elaborate method of direct voting in person, or by proxy, or by mail, at the option of the policyholder; and to make possible organized movements among the policyholders, it has recommended that a publication of the lists of policyholders be required.

In general, permanence in the management of a company is to be desired. Instability, change of methods, subservience to passing notions are to be deplored. On the other hand, the policyholders have more at stake in the faithfulness of directors than have investors in any other institution. Their position is unlike that of depositors in a bank, who are at liberty to withdraw their deposits if they lose faith in the directors. Policyholders have made contracts the abandonment of which may mean irreparable loss. Their rights ought not to be jeopardized by the extra hazard that is involved in their society's being managed by a board of directors that is self-perpetuating, or whose election and reelection may depend upon their subservience to one or more men in control of the corporation.

Says the Armstrong Report (pp. 4 and 33): "Executive officers have been in actual control, and in effect have been able to choose the members of the board of trustees through whom they in turn have been continued in office. The result has been an autocracy, maintained almost without challenge. Whatever efforts have been directed against it have proven abortive."

If action by policyholders numbering many thousands and distributed all over the world could be depended on to keep in the board of directors men who felt that their position was due to the policyholders and not to any other influence, the evils referred to would not be possible. Can the Government make certain, without the action of the policyholders but for their benefit, that there shall always be on the board of directors but one more who shall be entirely independent of the dominant force in the organization?

If this can be accomplished, it would seem, in a measure, to reduce the possibilities of evil that may come from a self-perpetuating board.

This State long since established the policy of protecting the public interest in certain corporations, where the State or the public was largely interested, by giving to the Governor the power to appoint one or more members of the board of directors of such corporations. The presence upon such a board of public-spirited citizens, appointed by the State's Executive, could but inspire confidence and would prevent directors and executive officers from forming a ring which circles upon itself without a break.

It seems to the commission that the presence of such men upon the boards of directors of our life-insurance companies would tend to give the public confidence and would make impossible the growth of any such evils as have been recently brought to the public attention by developments in other States.

We therefore recommend legislation requiring the Governor of the Commonwealth to appoint two directors, to serve upon the board of every mutual life insurance company hereafter organized, and of every existing mutual life insurance company which shall accept the provisions of the act embodying this recommendation.

REPORT OF THE COMMITTEE APPOINTED PURSUANT TO HOUSE RESOLUTIONS 429
AND 504 TO INVESTIGATE THE CONCENTRATION OF CONTROL OF MONEY AND
CREDIT, 1913, PP. 146-147 (PUJO COMMITTEE)

All of which demonstrates that the so-called control of the life insurance companies by policyholders through mutualization is a farce and that its only result is to keep in office a self-constituted, self-perpetuating management, which can usually rely on the agency force to more than offset a policyholders' uprising if such a thing is conceivable.

NEW YORK STATE INSURANCE REPORT, 1927, PART I, PAGES 8-9, SUPERINTENDENT
OF INSURANCE JAMES A. BEHA

In my two previous reports to the legislature I expressed the opinion that the management's viewpoint as to its responsibilities to its millions of policyholders cannot be brought into complete harmony with the viewpoint of the State unless the State has representation on the board of directors. This problem will not become less acute as time goes on. One of our domestic life companies has now become not only the largest life insurance company in the world but also the largest financial institution in the world.

All of the directors of our mutual life companies are men of affairs, men of good standing in their respective communities, and men of honor and ability. They serve on these boards as directors for a nominal fee. They are active in their own special work and undertakings, and can give only limited consideration to the affairs of these life insurance companies.

While nominally elected by the policyholders, they are actually selected by the management of each of the companies themselves. Section 94 which provides for the election of directors, while intended to give policyholders a voice in the selection of directors, nevertheless sets up a plan which is not workable to accomplish its object, and, as already stated, the directors are, for all intents and purposes, selected by the management of the company. It is these directors so selected who in turn elect the officers of the companies and are expected to supervise their management.

It is quite certain that a director who is not in harmony with the officers of the company, whether his views would be for the general good of the company or not would not long remain a director under these circumstances. Such a condition does not have a tendency to arouse interest on the part of directors or develop independent or constructive ideas from them. The lack of such responsibility on the part of directors is, however, not limited to mutual life insurance companies or to other insurance companies, but apparently is the general tendency in all of our large modern institutions. This is followed by the centralization of power in the few and the placing of great responsibility in the hands of a few. In general business institutions, however, the officers in power generally have a material interest in the companies themselves in the form of stockholdings or other similar holdings, while in mutual life insurance companies, the officers and directors as such have no vested interest in said companies. The companies are the property of the policyholders, and the policyholder's interest in his company depends only on the size of his policy and the proportion that his policy bears to the total of the policies of the company.

LIFE INSURANCE, A CRITICAL EXAMINATION, BY EDWARD BERMAN, PP. 179, 180
(1936)

One of the most important changes required in the life insurance business is the real mutualization of the life insurance companies. In theory, every mutual life insurance company is a cooperative enterprise; in practice, it often functions as though the most important thing to be accomplished were the maintenance of financial power in the hands of a relatively small number of directors and executives and the continued payment of exorbitantly high salaries to officials. A thoroughgoing consideration of the manner in which these companies actually carry on their business shows either that the policyholders' interests are frequently disregarded or that the people who conduct the operations of the company are unable to carry on its business in the interest of the policyholders.

EXHIBIT No. 260

[From files of Metropolitan Life Insurance Co., office of President]

FOLLANSBEE, SHOREY & SCHUPP,
Chicago, May 7, 1932.LEROY A. LINCOLN, Esquire,
*Vice President and General Counsel, Metropolitan Life Insurance Co.,
New York City, N. Y.*

MY DEAR MR. LINCOLN: When I came on the board a great many years ago, when the company was first mutualized, I, or someone else elected at the same time, took the place of Mr. Butcher, and Mr. Butcher was told in those days that the policy of the company forbade any director to represent, as counsel, the company in any way. That policy was changed, as I understand, and the evidence of the change was that my friend, Sam Fordyce, retained his legal representation for the company after he became a director.

The company is apt to have a lot of important real estate foreclosures in this vicinity, and I write to you as general counsel asking you to give our firm, which has always had both knowledge and facility in such matters, consideration.

My father in 1887 brought the business of the Metropolitan to his firm of Hoyne, Follansbee & O'Connor. On the dissolution of that firm in 1899, Mr. O'Connor, who has been dead almost 9 years, came on to New York and persuaded one of your predecessors in office that he was the man who had attended to the details of your cases. Now Mr. Hoyne is almost 89 years of age and the work is done by his partners. I do not want to interfere with his representation but I think the above historical statement would tend to make you feel that my request that I be counted in is very reasonable.

My memory goes back long before 1887, when Mr. Hegeman was a young man and used to use evangelism on the agents in the auditorium of the Temple Building, which was torn down to erect the building where we now have our offices. In those days the industrial agents made \$8 to \$10 a week and were mostly Englishmen who had left the Prudential of London, and other insurance companies, with some deficits, and as soon as they were at home in this country proved defaulters in many cases. Those were the early days.

Very faithfully yours,

MITCHELL D. FOLLANSBEE.

EXHIBIT No. 261

DIRECTORS OF NEW YORK LIFE INSURANCE CO.

Alfred L. Aiken	Charles A. Cannon	Willard V. King
James Rowland Angell	George B. Cortelyou	Gerrish H. Milliken
Nathaniel F. Ayer	William H. Danforth	Edward L. Ryerson, Jr.
Arthur A. Ballantine	Robert E. Dowling	Harper Sibley
Cornelius N. Bliss	James G. Harbord	Alfred E. Smith
Henry Bruere	Charles D. Hilles	J. Barstow Smull
Mortimer N. Buckner	Hale Holden	Percy S. Straus
Thomas A. Buckner	Herbert Hoover	
Nicholas Murray Butler	Percy H. Johnston	

EXHIBIT No. 262

[Prepared by the Securities and Exchange Commission Insurance study staff]

SCHEDULE OF BUSINESS AFFILIATIONS OF THE DIRECTORS, NEW YORK LIFE INSURANCE CO.

I. Affiliated as officer or partner only:

A. Bank and trust companies:

1. The Bowery Savings Bank.
2. Lawyers Trust Co.
3. County Safe Deposit Co.
4. First Bank of East Prairie.
5. R. H. Macy & Co., private bankers.
6. Security Trust Co.
7. Provident Loan Society.

I. Affiliated as officer or partner only—Continued.

B. Industrial companies:

1. Ralston Purina Co.
2. Hollister Lumber Co.
3. Cotwood Manufacturing Corporation.

C. Mercantile:

1. Meenan Oil Co.
2. Meenan Coal Co.
3. Deering Milliken & Co., Inc.

D. Real estate:

1. Empire State, Inc.
2. County Improvement Corporation.
3. Knott Corporation.

E. Miscellaneous:

1. The Danforth Foundation.
2. The American Youth Foundation.
3. Trading and Commission Co.
4. Highwood Land Co.
5. Empire State Corporation.
6. Woodbank Mills, Inc.

II. Affiliated as director only:

A. Banks and trust companies:

1. Bowery Savings Bank.
2. Chemical Bank & Trust Co.¹
3. International Power Securities Corporation.
4. John P. Maguire & Co., Inc.
5. Provident Loan Society of New York.
6. Northern Trust Co.
7. First National Bank of St. Louis.
8. St. Louis Union Trust Co.
9. City Bank Farmers Trust Co.
10. East River Savings Bank.
11. Rochester Savings Bank.
12. Bankers Trust Co.¹
13. Franklin Savings Banks.
14. Seaman's Bank for Savings.¹
15. First National Bank of Morristown.
16. United States Trust Co. of New York.
17. Savings Banks Trust Co.
18. National City Bank of New York.
19. Boston Safe Deposit & Trust Co.
20. National Shawmut Bank.

B. Industrial companies:

1. National Distillers Products Corporation.
2. Roseton Brick Corporation.
3. American Brake Shoe & Foundry Co.
4. United States Gypsum Co.
5. Milcor Steel Co.
6. Quaker Oats Co.
7. Ebird Manufacturing Co.
8. Social Circle Cotton Mill Co.
9. Imperial Cotton Mills.
10. Norwood Manufacturing Co.
11. National Broadcasting Co.¹
12. Radio Keith Orpheum Corporation.¹
13. RKO Pictures Inc.
14. Pathe News Inc.
15. Colprovia Roads, Inc.
16. P. R. Mallory & Co., Inc.
17. Delfaven Razor Corporation.
18. Manati Sugar Co.
19. Otis Co.
20. Radio Corporation of America.¹
21. RCA Manufacturing Co.¹
22. American Smelting & Refining Co.

¹ Indicates that more than 1 director of New York Life Insurance Co. is affiliated.

II. Affiliated as director only—Continued.

B. Industrial companies—Continued.

23. Anglo-Chilean Nitrate Corporation.
24. Otis Elevator Co.
25. Otis-Fenson Elevator Co.
26. Waygood-Otis Elevator Co.
27. Dallas Manufacturing Co.
28. Drayton Mills.
29. Gaffney Manufacturing Co.
30. Hartsville Cotton Mill.
31. Lockwood Co.
32. Laurens Cotton Mill.
33. Abbeville Mills.
34. Darlington Manufacturing Co.
35. Gainesville Cotton Mill.
36. Monarch Mills.
37. Pacolet Manufacturing Co.
38. Spartan Mills.
39. Whitney Manufacturing Co.
40. Judson Mills.
41. Startex Mills.
42. Madison Woolen Co.
43. Southern Worsted Co.
44. Dutchess Bleachery.

C. Insurance companies:

1. Life:

- (a) Church Life Insurance Co.

2. Casualty and surety:

- (a) Great American Indemnity Co.
- (b) American Surety Co.
- (c) National Surety Corporation.

3. Fire and marine:

- (a) Great American Investing Co., Inc.
- (b) Great American Insurance Co.
- (c) Globe & Rutgers Fire Insurance Co.
- (d) Home Insurance Co.
- (e) Atlantic Mutual Insurance Co.¹
- (f) American Alliance Insurance Co.
- (g) American National Insurance Co.
- (h) County Fire Insurance Co.
- (i) Detroit Fire & Marine Insurance Co.
- (j) Massachusetts Fire & Marine Insurance Co.
- (k) North Carolina Home Insurance Co.
- (l) Rochester American Insurance Co.
- (m) Boston Manufacturers Mutual Fire Insurance Co.
- (n) Paper Mill Fire Insurance Co.

D. Mercantile companies:

1. L. Bainberger & Co.
2. Davison-Paxon Co.
3. The Lasalle & Koch Co.
4. R. H. Macy & Cie. (France).
5. R. H. Macy & Co., Ltd.
6. Valley-Cadillac Co.
7. Mercantile Stores Co., Inc.

E. Publishing companies:

1. D. Appleton-Century Co., Inc.

F. Real estate:

1. Hotels Statler Co.
2. Aztec Land & Cattle Co.
3. United Artists Theatre Circuit.
4. Metropolitan Opera & Real Estate Co.
5. 1 Liberty Street Realty & Securities Corporation.
6. National City Realty Corporation.
7. Broadway Corporation.¹
8. Hotel Waldorf-Astoria Corporation.

¹ Indicates that more than 1 director of New York Life Insurance Co. is affiliated.

II. Affiliated as director only—Continued.

G. Transportation companies:

1. Railroad:

- (a) Carolina, Clinchfield & Ohio Ry. Co.
- (b) Carolina, Clinchfield & Ohio Ry. of South Carolina.
- (c) Clinchfield Northern Ry. of Kentucky.
- (d) Chicago, Milwaukee, St. Paul & Pacific R. R. Co.
- (e) Atchison, Topeka & Santa Fe Ry. Co.
- (f) Union Pacific R. R. Co.
- (g) Oregon Short Line R. R. Co.
- (h) Oregon-Washington R. R. & Navigation Co.
- (i) Los Angeles & Salt Lake R. R. Co.
- (j) Hudson & Manhattan R. R. Co.
- (k) Southern Ry. Co.

2. Steamship:

- (a) Newtex Steamship Corporation.
- (b) Spokane Steamship Co.
- (c) Nicholson Steamship Co.
- (d) Overlakes Freight Corporation.
- (e) Universal Terminal Co.

H. Utility companies:

1. Western Union Telegraph Co.
2. American Telephone & Telegraph Co.
3. Consolidated Gas, Electric Light & Power Co. of Baltimore.
4. Pennsylvania Water & Power Co.
5. Safe Harbor Water Power Corporation.
6. RCA Communications, Inc.¹
7. Marconi Telegraph-Cable Co., Inc.

I. Miscellaneous companies:

1. American Canadian Properties Corporation.
2. Columbia Graphophone Factories Corporation.
3. Northeast Baltimore Corporation.
4. New York World's Fair 1939, Inc.¹
5. Institutional Securities Corporation.
6. Boomer Du Pont Properties Corporation.
7. Discount Corporation of New York.
8. Louis Sherry, Inc.
9. Farwell Mills.
10. Nyanza Mills.

III. Affiliated as both officer and director:

A. Bank and trust companies:

1. New York Trust Co.
2. Safe Deposit Co. of the New York Trust Co.
3. Cabarrus Bank & Trust Co.
4. Concord National Bank.
5. Chemical Bank & Trust Co.
6. Chemical Safe Deposit Co.

B. Industrial companies:

1. Radio Corporation of America.
2. National Broadcasting Co.
3. Cheramy, Inc.
4. Houbigant, Inc.
5. Inland Steel Co.
6. Cannon Mills Co.
7. Wiscasset Mills Co.
8. Tuscarora Cotton Mills.
9. Amazon Cotton Mills.
10. RCA Manufacturing Co.
11. Cabot Manufacturing Co.
12. Farwell Bleachery.
13. Nyanza Mills.

¹ Indicates that more than 1 director of New York Life Insurance Co. is affiliated.

III. Affiliated as both officer and director—Continued.

C. Mercantile companies:

1. R. H. Macy & Co., Inc.
2. Joseph T. Ryerson & Son, Inc.
3. Cannon Mills, Inc.

D. Real-estate companies:

1. Fishers Island Corporation.
2. 455 Seventh Avenue, Inc.
3. Penidor Corporation.
4. The W. & E. Realty Co.
5. P. M. Morris Real Estate Co.
6. City Investing Co.
7. 270 Broadway Corporation.
8. R. E. Dowling Realty Corporation.

E. Transportation companies:

1. Railroad:
 - (a) St. Louis, Southwestern Railway Co.
 - (b) Southern Pacific Co.
 - (c) Texas & New Orleans Railroad Co.
 - (d) Second Avenue Railroad Corporation.
2. Steamship:
 - (a) J. H. Winchester & Co., Inc.

F. Miscellaneous companies:

1. Ryerson Steel Corporation.
2. New York Historical Society.

EXHIBIT No. 263¹

[From files of New York Life Insurance Co., office of Charles R. Van Anden, Real Estate Department]

NEW YORK LIFE INSURANCE CO.

October 11, 1937.

Memorandum to vice President Van Schaick:

The oil requirements for 1 year for heating our properties amounts to approximately 2,449,800 gallons. Of this amount, Meenan Oil Co. supply 1,275,000 gallons. Last week we succeeded in giving them contracts amounting to 22,000 gallons additional.

The agents have already contracted with other companies for the purchase of 927,000 gallons of oil for the coming year. There is open 225,000 gallons to be contracted for.

The managing agent of the property where 200,000 gallons is to be purchased has a price of \$0.0370 a gallon, good until January 1, 1938. Their top price is \$0.0404. Meenan Oil Co.'s price is \$0.0370, good until January 1, 1938. Their top price is \$0.01285. We can contact Meenan and see if they will meet the price of \$0.0404. If they will, we can direct the agent to give this additional contract to Meenan.

This leaves 25,000 gallons for the 54 Court Street, Brooklyn property, the contract for which has not been given out. I gave you a memorandum this morning in connection with this contract.

At the present time we are using 500,000 gallons of oil for the Hotel Shelton. We have, at present, a contract at 3 cents a gallon from Petroleum Heat & Power Co. This contract expires February 1, 1938. Meenan knows of this situation and expects that Knott Management Co. will give them the contract at that time.

As I advised you, Meenan Coal Co. are on our list. If a managing agent should call up advising us he cannot buy coal at the price we have set, we can refer them to Meenan Coal Co.

CHARLES R. VAN ANDEN.

¹ See also "Exhibit No. 304", *infra*, p. 1645, with reference to this exhibit.

EXHIBIT No. 264

[From files of New York Life Insurance Co.]

MEENAN OIL CO., INC.,
New York, June 7, 1938.

MR. THOMAS A. BUCKNER,
President, New York Life Insurance Co, New York City.

DEAR MR. BUCKNER: For several years our company has been supplying the fuel-oil needs of some of the largest users in Greater New York, Nassau and Westchester Counties, as well as several thousand home owners.

Our vice president, Mr. R. G. Phelps, advises me that most fuel-oil contracts are up for renewal between June 1 and late fall. It has occurred to me that you may own, or manage buildings using fuel oil. I am taking this means to respectfully request that you give our company an opportunity to bid on your fuel-oil requirements when you are in the market.

Our source of supply comes from the Standard Oil Co. of New York, one of the world's largest oil companies. We are thoroughly equipped to render prompt and efficient delivery service at all hours. The prices on all grades are fair, and the quality of fuel oil will be to your satisfaction.

When you are in the market, any consideration you give Mr. Phelps and our company will be personally appreciated.

Sincerely yours,

ALFRED E. SMITH,
Chairman of the Board.

EXHIBIT No. 265

[From files of New York Life Insurance Co., office of the president]

EMPIRE STATE, INC.,
New York, May 14, 1935.

MR. ALFRED L. AIKEN,
New York Life Insurance Co., New York City.

DEAR MR. AIKEN: If you can help the Meenan Oil Co. on the contract for oil in the Vanderbilt Hotel, I will appreciate it.

Best wishes.

Sincerely yours,

ALFRED E. SMITH.

EXHIBIT No. 266

[From files of New York Life Insurance Co., office of Charles R. Van Anden, Real Estate Department]

JOHN F. JAMES & SONS, INC.,
Brooklyn, N. Y., October 7, 1937.

NEW YORK LIFE INSURANCE CO.,
Real Estate Department, New York City.
(Attention of Mr. Cotter.)

GENTLEMEN: We enclose herewith a letter from Sunlight Oil Corporation, a tenant in the above premises, who feels that they should receive the orders for fuel, and have admonished us for advising them that we could no longer give them the business.

We have acted under your verbal instructions to purchase all fuel oil from Meenan Oil Co.

Will you kindly advise if you wish any further action taken with reference to Sunlight Oil Corporation, and return their letter, so that we may make the necessary reply?

Yours very truly,

JOHN F. JAMES & SONS, INC.,
M. D. SHULKIN.

Pencil Notation: 10-8-37. Advised Mr. Shulkin to continue buying from Sunlight Oil Co. J. F. C.

EXHIBIT No. 267

[From files of New York Life Insurance Co., office of Mr. G. S. Van Schaick, vice president]

NEW YORK, Oct ber 14, 1937.

Mr. WALTON P. KINGSLEY, *Vice President,*
New York Life Insurance Co., New York City.

DEAR MR. KINGSLEY: Confirming our telephone conversation of yesterday, I enclose letter which Mr. Culver, President of the America Fore Group, received from our vice president in Chicago, Mr. E. A. Henne.

I shall appreciate it if you will check this matter up. Anything that you can do to protect the interests of our good companies in their close association with the New York Life will be greatly appreciated by me.

With all good wishes, as ever,

Yours sincerely,

RIDLEY WATTS.

P. S.—Please return enclosure.

[From files of New York Life Insurance Co., office of Mr. G. S. Van Schaick, vice president]

"AMERICA FORE"

The Continental Insurance Co.
 Niagara Fire Insurance Co.
 First American Fire Insurance Co.

Fidelity-Phenix Fire Insurance Co.
 American Eagle Fire Insurance Co.
 Maryland Insurance Co. of Delaware

WESTERN DEPARTMENTS,
 Chicago, September 13, 1937.

In re: New York Life Insurance Co. Mortgage Interest.

Mr. B. M. CULVER,
President, New York Office.

DEAR MR. CULVER: Through Mr. Ridley Watts, we have on several occasions secured favorable entree to the mortgage business of the New York Life Insurance Co. and in one particular instance at Memphis, Tenn. (the D. A. Fisher Agency, our Continental representatives) we are securing a very nice volume of business.

One of our Tennessee special agents reports to us that while visiting the Claiborne, Lathrop & Sample, Inc., agency in Knoxville, he saw a letter written by Mr. J. V. Timlin of Atlanta, Ga., who apparently has charge of New York Life interests in the Southwest, giving instructions that the Crum & Forster organization should be favored with New York Life business. At the same time, it is reported to us that our Memphis, Tenn., agent has received no such instructions. Possibly they have not yet reached him. But, in any event, we are sure that we can count on Mr. Watts' cooperation and I am passing the information on to you so that if there is such a movement in the air, if at all possible it will be stopped.

Yours very truly,

E. A. HENNE, *Vice President.*

EXHIBIT No. 268

[From files of New York Life Insurance Co., office of Mr. G. S. Van Schaick, vice president]

NEW YORK LIFE INSURANCE CO.,
 New York, N. Y., November 12, 1937.

Mr. RIDLEY WATTS,
New York, N. Y.

DEAR MR. WATTS: I am sorry that there has been such a delay in answering the inquiry contained in your letter of October 14. However, as you can understand, it took considerable time to investigate the matter.

As you know, we have given the American Fore Companies insurance where it was possible for us consistently to do so, and we have not said in Knoxville that we would not give these companies business. You understand that it has never been the policy of this company to favor any one fire insurance company or group of companies. The Crum and Forster organization has rendered excellent service in Knoxville and in asking for some of our fire-insurance business we felt it only fair that they also be given some of the business.

I believe at one time directions went out from this office that a certain group of companies in a certain place be given preference in the matter of securing fire insurance. However, the resultant complaints from that departure from our regular policy were such that we had to, and I think quite properly, withdraw these instructions.

As a matter of fact, while we thoroughly understand your position, we feel that, in general, probably the best way to handle this subject is to let our local representatives use their discretion.

While this probably is not a very satisfactory letter from the point of view of Mr. Henne, at the same time I cannot see, in fairness to everyone concerned, that our attitude can be any different. At least he will have to admit that we are doing our utmost to give everyone an even break.

Very truly yours,

_____, Vice President.

Pencil Notation: Mr. Kingsley's proposed letter not sent.

[From files of New York Life Insurance Co., office of Mr. G. S. Van Schaick, vice president]

NEW YORK LIFE INSURANCE CO.,
New York, N. Y., November 16, 1937.

MR. RIDLEY WATTS,
New York, N. Y.

DEAR MR. WATTS: The matter referred to in your letter of October 14 has been investigated. The change of fire insurance at Knoxville should not have been made. The services of the American Fore Companies were satisfactory and the policies were therefore entitled to renewal.

We regret what happened and will try at appropriate opportunity to rectify what was done by giving to your companies an equivalent amount of insurance in that territory.

* Yours very truly,

Pencil Notation: Not sent. This was told substantially as above to Mr. Watts at Mr. Kingsley's office Nov. 17, 1937. GSVS.

EXHIBIT No. 269

[From files of New York Life Insurance Co., office of Mr. G. S. Van Schaick, vice president]

OCTOBER 18, 1937.

Memorandum for Vice President Van Schaick.

You have asked my opinion as to whether section 36 of the New York insurance law would prevent this company from purchasing coal from a corporation in which one of our directors is a principal stockholder.

The pertinent portion of this section reads:

"Section 36. *Officers and directors not to be pecuniarily interested in transactions.*—No director or officer of an insurance corporation doing business in this state shall receive any money or valuable thing for negotiating, procuring, recommending, or aiding in, any purchase by or sale to such corporation of any property, or any loan from such corporation, nor be pecuniarily interested, either as principal, coprincipal, agent or beneficiary, in any such purchase, sale or loan."

Some stress was laid by you on the word "property" and whether coal would be considered within the meaning of the word "property."

I cannot see that the word "property" has any peculiar significance, or whether it is important to say whether coal would come within the meaning of the word "property."

The purpose of the statute is clearly one to prohibit an officer or director from profiting by pecuniary transactions with the insurance corporation of which he is an officer or director.

The attorney general of this State covered this point in an opinion rendered December 5, 1907. He said the legislature in the statute in question "expressly limited the prohibition of being 'pecuniarily interested', by the words as 'principal, coprincipal, agent or beneficiary.' By the mere fact of being a stockholder or director in the selling or borrowing corporation, one may be 'pecuniarily interested' but he is not by that fact alone 'interested' as 'principal, co-principal, agent or beneficiary' in the ordinary acceptance of the words used." * * * the legislature may have considered that the restrictions upon legitimate business and the resulting difficulty in securing men prominent in the business world to accept directorships in insurance corporations would more than counterbalance the benefit to be derived from a more sweeping prohibition of such business relations."

It seems to me that the statute in question, as it applies to life insurance companies, is a mere restatement of the general rule of law applying to those persons who fill fiduciary positions—that they shall not use them for their own benefit.

Legally this company may purchase supplies from another corporation in which one of our directors is a stockholder, but every precaution should be taken to see that the proprieties are strictly observed by competitive bids or otherwise, and that nothing shall be done or left undone to indicate or suggest that the corporation dealing with us secured any undue advantage by reason of the official relationship with this company.

BOTTOME, *General Counsel.*

EXHIBIT No. 270

[From files of Mutual Life Insurance Co. of New York]

BOARD OF TRUSTEES, THE MUTUAL LIFE INSURANCE CO. OF NEW YORK

Name:	<i>Date of election</i>
Henry W. Taft.....	July 17, 1906
Emory W. Clark.....	July 24, 1907
Joseph H. Choate, Jr.....	May 25, 1910
James C. Coigate.....	Jan. 25, 1911
Paul Tuckerman.....	July 31, 1912
Joseph S. Auerbach.....	Apr. 26, 1916
Grafton D. Cushing.....	Nov. 29, 1916
James H. Perkins.....	Jan. 31, 1923
Myron C. Taylor.....	Nov. 26, 1924
John W. Davis.....	July 29, 1925
William Marshall Bullitt.....	Nov. 24, 1926
Clarence M. Woolley.....	Do.
David F. Houston.....	July 27, 1927
Elihu Root, Jr.....	Dec. 26, 1928
Daniel Willard.....	June 26, 1929
William C. Potter.....	Apr. 30, 1930
Frank L. Polk.....	Oct. 29, 1930
Lawrence A. Downs.....	Dec. 31, 1930
S. Sloan Colt.....	June 4, 1931
Charles P. Cooper.....	Do.
John K. Ottley.....	Do.
Nathan L. Miller.....	Aug. 26, 1931
Henry Lee Shattuck.....	Oct. 26, 1932
Roland S. Morris.....	June 5, 1933
John Sloane.....	Do.
William D. Mitchell.....	Nov. 28, 1934
Charles E. Dunlap.....	June 3, 1935
John C. Traphagen.....	July 31, 1935
Charles E. Adams.....	Jan. 29, 1936
Lewis H. Brown.....	May 27, 1936
Robert T. Stevens.....	May 27, 1936
Vanderbilt Webb.....	July 29, 1936
Leon Fraser.....	July 28, 1937
Robert C. Stanley.....	Jan. 26, 1938
Frederick Trubee Davison.....	Oct. 26, 1938
W. Gibson Carey, Jr.....	Nov. 30, 1938

EXHIBIT No. 271

[Prepared by the Securities and Exchange Commission Insurance Study Staff]

SCHEDULE OF BUSINESS AFFILIATIONS OF THE TRUSTEES, MUTUAL LIFE INSURANCE Co. OF NEW YORK

- I. Affiliated as officer only:
 - A. Industrial companies:
 - 1. The Yale & Towne Manufacturing Co.
- II. Affiliated as director only:
 - A. Banks and trust companies:
 - 1. New York Trust Co.¹
 - 2. Bank of New York.¹
 - 3. Fifth Avenue Bank of New York.
 - 4. United States Trust of New York.¹
 - 5. Bowery Savings Bank.
 - 6. Chase National Bank.
 - 7. Guaranty Trust Co. of New York.¹
 - 8. Seamen's Bank for Savings.¹
 - 9. Fiduciary Trust Co. of New York.¹
 - 10. Bank for Savings in the City of New York.
 - 11. Bankers Trust Co.¹
 - 12. Bankers Safe Deposit Co.
 - 13. National Bank of Tuxedo.
 - 14. Citizens Union National Bank.
 - 15. Fidelity & Columbia Trust Co.
 - 16. Federal Reserve Bank of New York.¹
 - 17. Irving Trust Co.
 - 18. Continental Illinois National Bank & Trust Co.
 - 19. First National Bank of New York.
 - 20. New England Trust Co.
 - 21. Provident Loan Society.
 - 22. Nyack National Bank & Trust Co.
 - B. Industrial companies:
 - 1. United States Steel Corporation.¹
 - 2. Vanadium Corporation of America.
 - 3. National Distillers Products Corporation.
 - 4. Gorham, Inc.
 - 5. Alex Smith & Sons Carpet Co.
 - 6. Sloane-Blabon Corporation.
 - 7. The American Metal Co., Ltd.
 - 8. Amalgamated Metal Co., Ltd.
 - 9. Henry Gardner & Co., Ltd.
 - 10. United Chromium, Inc.
 - 11. Kildun Mining Corporation.
 - 12. Babcock & Wilcox Co.
 - 13. General Electric Co.¹
 - 14. International General Electric Co.¹
 - 15. The Cuba Co.
 - 16. Campania Cubana.
 - 17. Howe Sound Co.
 - 18. International Products Corporation.
 - 19. Montana Coal & Iron Co.
 - 20. Red Hand Compositions Co., Inc.
 - 21. Hecker Products Co.
 - 22. Texas Gulf Sulphur Co.
 - 23. American Radiator & Standard Sanitary Corporation.
 - 24. Asbestos-Wood Co.
 - 25. Johns-Manville Boley, Ltd.
 - 26. Johns-Manville of Cuba.
 - 27. Johns-Manville Co., Ltd.
 - 28. Johns-Manville Credit Corporation.
 - 29. Wabash Portland Cement Co.
 - 30. American Bank Note Co.
 - 31. General Foods Corporation.
 - 32. Aragon-Baldwin Cotton Mills.

¹ Indicates that more than one director of The Mutual Life Insurance Co. is affiliated.

II. Affiliated as director only—Continued.

B. Industrial companies—Continued.

33. Dunean Mills.
34. Industrial Cotton Mills Co.
35. Lawrence Manufacturing Co.
36. Marion Manufacturing Co.
37. Stevens Linen Works.
38. Victor Monaghan Co.
39. Wallace Manufacturing Co.
40. Watts Mills.
41. The Whitney Chain & Manufacturing Co.
42. American Agriculture Chemical Co.
43. Fisk Rubber Corporation.
44. Johns-Manville International Corporation.
45. Neveroil Bearing Co.
46. Anaconda Copper Mining Co.¹
47. Continental Baking Corporation.
48. Continental Rubber Co.
49. Continental Rubber Co. of New York.
50. Intercontinental Rubber Co. of New York.
51. International Agricultural Corporation.
52. Rubber Surfacers, Inc.
53. Colgate-Palmolive-Peet Co.
54. Hanson-Whitney Machine Co.
55. Carter Fabrics Corporation.

C. Insurance companies:

1. Life:

- (a) Teachers Insurance & Annuity Association.

2. Casualty and surety:

- (a) Car & General Insurance Co.
- (b) Eagle Indemnity Co.
- (c) Globe Indemnity Co.
- (d) Royal Indemnity Co.
- (e) American & Foreign Insurance Co.
- (f) Hudson Insurance Co.

3. Fire and marine:

- (a) Franklin Fire Insurance Co.
- (b) Atlantic Mutual Insurance Co.¹
- (c) North British & Mercantile Insurance Co.
- (d) Northern Insurance Co. of New York.
- (e) Quaker City Fire & Marine Insurance Co.
- (f) Provident Fire Insurance Co.
- (g) Royal Exchange Assurance Co.
- (h) State Assurance Co., Ltd.
- (i) Thames & Mersey Marine Insurance Co., Ltd.
- (j) Federal Union Insurance Co.
- (k) Liverpool & London Globe Insurance Co., Ltd.
- (l) Newark Fire Insurance Co.
- (m) Queen Insurance Co. of America.
- (n) Star Insurance Co. of America.
- (o) Seaboard Insurance Co.
- (p) British & Foreign Marine Insurance Co.
- (q) North British Mercantile Insurance Co.
- (r) Mercantile Insurance Co.
- (s) Continental Insurance Co.
- (t) Bankers & Shippers Insurance Co.
- (u) Jersey Insurance Co. of New York.
- (v) Sun Insurance Office, Ltd.
- (w) Eagle Fire Co.
- (x) Norwich Union Fire Insurance Society, Ltd.

D. Mercantile companies:

1. Berwind Fuel Co.
2. Staples Coal Co.
3. Atlantic Coast Fisheries Co.

¹ Indicates that more than one director of The Mutual Life Insurance Co. is affiliated.

II. Affiliated as director only—Continued.

E. Publishing companies: 1. Duttons, Inc.

F. Real estate companies:

1. Metropolitan Opera & Real Estate Co.
2. 535 Park Avenue Co.
3. Gauley Coal Land Co.
4. 4 East 72d Street Corporation.
5. Rockefeller Center, Inc.
6. Nightingale School Realty Corporation.
7. Tuxedo Park Association, Inc.
8. One Hundred and Fifty William Street Corporation.
9. Hotel Waldorf-Astoria Corporation.

G. Transportation companies:

1. Railroad:

- a. Atchison Topeka & Santa Fe Railroad Co.¹
- b. Cleveland, Cincinnati, Chicago & St. Louis Railway Co.
- c. Michigan Central Railroad Co.
- d. New Jersey Junction Railroad Co.
- e. New Jersey Central Railroad Co.
- f. New York & Harlem Railroad Co.
- g. Pittsburgh & Lake Erie Railroad Co.
- h. Walkill Valley Railroad Co.
- i. West Shore Railroad Co.
- j. Boston & Albany Railroad Co.
- k. Northern Pacific Railway Co.
- l. Canadian Pacific Railway Co.
- m. Consolidated Railroads of Cuba.
- n. Cuba Railroad Co.
- o. Cuba Northern Railways Co.
- p. Southern Railway Co.
- q. Delaware, Lackawanna & Western Railroad Co.
- r. Asbestos & Danville Railway Co.
- s. Pacific Southwestern Railroad Co.
- t. Richmond, Fredericksburg & Potomac Railroad Co.
- u. Richmond—Washington Co.
- v. Washington Terminal Co.
- w. Dayton Union Railway Co.
- x. Gulf, Colorado & Santa Fe Railway Co.
- y. Santa Fe Pacific Railroad Co.
- x. Union Pacific Railroad Co.
- aa. Oregon-Short Line Railroad Co.
- bb. Oregon-Washington Railroad & Navigation Co.
- cc. Los Angeles & Salt Lake Railroad Co.

2. Steamship: (a) Atlantic, Gulf & West Indies Steamship Lines.

3. Air lines: (a) Pan-American Airways Corporation.

H. Utilities:

1. American Telephone & Telegraph Co.¹
2. Tampa Electric Co.
3. International Telephone & Telegraph Corporation.
4. Southern Bell Telephone & Telegraph Corporation.
5. Michigan Bell Telephone Co.
6. New York Telephone Co.
7. Bell Telephone Co. of Canada.
8. Consolidated Edison Co. of New York.

I. Miscellaneous companies:

1. Detroit River Tunnel Corporation.
2. Metropolitan Opera Association, Inc.
3. The Hollar Co.
4. Company of Master Craftsmen.
5. Commercial Pacific Cable Co.
6. Dardelet Threadlock Corporation.
7. The Fiduciary Corporation.
8. New York World Fair, 1939, Inc.¹
9. Discount Corporation of New York.¹
10. Salvage Process Corporation.

¹ Indicates that more than one director of The Mutual Life Insurance Co. is affiliated.

- II. Affiliated as director only—Continued.
 - I. Miscellaneous companies—Continued.
 - 11. Railway Express Agency, Inc.
 - 12. Railroad Credit Corporation.
 - 13. Previews, Inc.
 - 14. State Street Investment Corporation.
 - 15. American Securities Investment Corporation.
- III. Affiliated as both officer and director:
 - A. Banks and trust companies:
 - 1. First National Bank of New York.
 - 2. First National Bank of Atlanta.
 - 3. Bankers Trust Co.
 - 4. Guaranty Trust Co. of New York.
 - 5. National City Bank of New York.
 - 6. City Bank Farmers Trust Co.
 - 7. International Banking Corporation.
 - 8. Guaranty Safe Deposit Co.
 - B. Industrial companies:
 - 1. Godfrey L. Cabot, Inc.
 - 2. Air Reduction Corporation.
 - 3. United States Industrial Alcohol Co.
 - 4. W. & J. Sloane Manufacturing Co.
 - 5. International Nickel Co. of Canada, Ltd.
 - 6. Berwind White Coal Mining Co.
 - 7. Kentland Coal & Coke Co.
 - 8. New River & Pocahontas Consolidated Coal Co.
 - 9. The Wilmore Coal Co.
 - 10. Johns-Manville Corporation.
 - 11. Canadian Johns-Manville Co.
 - 12. Celite Products Ltd.
 - 13. Johns-Manville Products.
 - 14. Johns-Manville Corporation of Massachusetts.
 - 15. Johns-Manville Corporation of Virginia.
 - 16. Johns-Manville Sales Corporation.
 - 17. Forest Preserves, Inc.
 - 18. National Zinc Co.
 - 19. Fillmore Farms, Inc.
 - 20. J. P. Stevens & Co., Inc.
 - C. Mercantile companies:
 - 1. W. & J. Sloane Co.
 - 2. International Minerals & Metals Co.
 - D. Utilities: 1. American Telephone & Telegraph Co.¹
 - E. Real estate companies:
 - 1. Estate of Bradish Johnson.
 - 2. Snake River Land Co.
 - 3. Hamilton Homes Association.
 - 4. William John Corporation.
 - 5. Gogebic Land Co.
 - 6. Real Estate & Improvement Co.
 - 7. Links Holding Corporation.
 - 8. 66 East 79th Street Corporation.
 - F. Transportation companies:
 - 1. Railroads:
 - (a) Baltimore & Ohio R. R. Co.
 - (b) The Alton R. R. Co.
 - (c) Joliet & Chicago R. R. Co.
 - (d) Kansas City, St. Louis & Chicago R. R. Co.
 - (e) Louisiana & Missouri River R. R. Co.
 - (f) Baltimore & Ohio Chicago Terminal R. R. Co.
 - (g) Staten Island Rapid Transit R. R. Co.
 - (h) Staten Island Ry. Co.
 - (i) Valley R. R. Co.
 - (j) Tylerdale Connecting Railroad Co.
 - (k) Reading Co.
 - (l) New York Transit & Terminal Co.

¹ Indicates that more than one director of The Mutual Life Insurance Co. is affiliated.

III. Affiliated as both officer and director—Continued.

F. Transportation companies—Continued.

1. Railroads—Continued.

(m) Illinois Central System.

(n) Central of Georgia Ry. Co.

(o) Paducah & Illinois Ry. Co.

2. Steamship: (a) Ocean Steamship Co. of Savannah.

G. Miscellaneous:

1. Mississippi River Bridge Co.

2. Alton Grain Elevator Co.

EXHIBIT No. 272

[From files of Mutual Life Insurance Co. of New York, office of the president]

THE FIRST NATIONAL BANK OF ATLANTA

Atlanta, Ga. September 7, 1933.

Mr. D. F. HOUSTON, *President,**The Mutual Life Insurance Company of New York,**34 Nassau Street, New York, N. Y.*

DEAR MR. HOUSTON: In reference to my conversation with you concerning an increased relationship between my bank and the Mutual Life, I take the liberty to enclose a copy of my letter of this date to Mr. Turner.

I am very grateful for your interest in this matter, and hope to hear favorably in this regard in due course.

Cordially,

JOHN K. OTTLEY, *President.*

[From files of Mutual Life Insurance Co. of New York, office of the president]

THE FIRST NATIONAL BANK OF ATLANTA

Atlanta, Georgia. September 7, 1933.

Mr. G. C. TURNER, *Treasurer,**The Mutual Life Insurance Company of New York,**34 Nassau Street, New York, N. Y.*

MY DEAR MR. TURNER: I have your favor of August 31st which I duly appreciate.

In my conversation with President Houston, I stated to him that the present business of the Mutual Life with this bank is satisfactory and is duly appreciated. However, I advised him that my desire to have the relationship broadened and increased is based on three propositions. First, that as I make my living as president of the First National, my first interest is to build up its business. Second, that as a trustee of the Mutual Life—which is an honor I appreciate—I want the full interest of my bank—with its important sectional contacts—in the company's Southeastern activities. This, I am sure you will agree, I can properly expect only as the size and value of the Mutual Life's business with us is at least on equal footing with other accounts with us of similar companies. Third, that I believe these purposes can be accomplished without costing our company anything.

Formerly, it is true that it was necessary for life insurance companies, as well as others doing business over the nation, to maintain their main bank accounts in New York. However, the establishing of the Federal Reserve System—in which President Houston had a leading part and one of the objectives of which was to make each section of the country self-supporting financially—has provided the avenue and the opportunity for companies like ours to maintain a larger portion of their balances in the various sections of the country from which their business is drawn.

While my principal interest right at this time is in connection with this territory, I am willing to recommend your consideration of spreading your funds around in financial centers over the whole country as a means of rendering prompter service to Mutual Life policyholders and clients and as good business from a sales point of view. In this connection, it is my recollection that President Houston reported at the last board meeting that the largest increase in our company's business this year has been from the South and the West. In view of this, I believe that these territories are at this time entitled to any consideration which you can show them, particularly as, since interest on demand deposits is now

prohibited, balances maintained for payment of claims, etc., is worth as much to you in Atlanta as it is in New York.

From your standpoint, as treasurer, through the wire transfer facilities of the Federal Reserve Bank, transfers of funds to New York can be completed in a very short time. In our own case, in addition, the Guaranty Trust Company—which I believe is one of your principal depositories—is, also, our principal New York correspondent, and transfer of funds to them by wire can be handled very quickly and conveniently. On either basis I would say that funds accumulated in Atlanta are not over one hour from usability in New York.

At the present time, in addition to your agency account here you are following the practice of concentrating with us funds arising in your agencies in states of North Carolina, South Carolina, Georgia, Florida, Alabama, and Tennessee. It is my understanding that the funds are used for the payment of death claims arising in the same states, the remainder of the funds being transferred at intervals to New York. With the purpose of providing convenient means of broadening our service to you, I might point out that principal banks in leading points of Mississippi, Louisiana, Kentucky, and Virginia maintain Atlanta accounts and can, therefore, remit to us in usable form, which can usually reach us overnight by ordinary mail and certainly by Air Mail.

An additional use to which the account might be put is in the matter of remittances to points in this territory on real estate loans which, as I understand it, are now being made from New York. This arrangement would, at the same time, enable you to render better service to your loan clients in this territory, Atlanta exchange being in demand throughout the Southeast.

It will be a pleasure to handle the increased funds for you on a special time deposit basis. Our rates are $\frac{3}{8}$ of 1% on sixty-day time accounts, and $\frac{1}{2}$ of 1% on ninety-day time accounts. I believe that you will find these in line, and while all such contracts must be for a definite maturity date, renewals can be acceptably handled from time to time.

You will understand that in going into this great detail I have tried to point out practical arrangements whereby my desire as President of this bank and as Trustee of the Mutual Life could be accomplished with advantage to each and disadvantage to no one. Anything you can do for me in the matter will be greatly appreciated.

With kind regards, I am

Sincerely yours,

_____, *President.*

[From files of Mutual Life Insurance Co. of New York, office of the President]

THE FIRST NATIONAL BANK OF ATLANTA

Atlanta, Ga. September 16, 1933.

Mr. DAVID F. HOUSTON, *President,*

The Mutual Life Insurance Company of New York,

34 Nassau Street, New York, N. Y.

MY DEAR MR. HOUSTON: Today I had the great pleasure of receiving from Mr. Turner a check for \$500,000 for the establishing with us of a special ninety-day time deposit account.

I have written him direct how much I appreciate this further substantial evidence of friendship, as well as the recognition on his part of the ability of my bank to serve our company in a more important way.

At the same time, I desire to add a word to you to express my deep appreciation for your very kind interest in bringing about this closer and more important relationship. I am grateful for the special consideration shown, and am very proud to have the closer tie-in between the bank and the insurance company in which I have very great interest.

I am confident, at the same time, that this arrangement, giving, as it does, a closer tie-in with a section of the country from which an important proportion of your business is drawn, will not be without definite advantage from your standpoint, and I am sure that you will not hesitate to continue to command our services in the South.

Sincerely yours,

JOHN K. OTTLEY, *President.*

EXHIBIT No. 273

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

FIRST NATIONAL BANK,
Atlanta, Georgia., August 29, 1935.

Mr. GEORGE C. TURNER, *Treasurer,*
The Mutual Life Insurance Company of New York,
34 Nassau Street, New York, N. Y.

DEAR Mr. TURNER: It was my intention to visit you before the last meeting of the Board of Trustees of the Mutual Life Insurance Company, as I very much desired the opportunity of discussing with you and Mr. Houston using our bank to a larger extent for deposit of non-interest bearing funds.

I have just written Mr. Timpson we would be glad to renew the Special Time Deposit we have from your good company in the amount of \$500,000 at a rate of one-half of 1 percent ($\frac{1}{2}\%$) for a further period of ninety days, and as I was precluded from attending the last meeting I want to take this opportunity of asking your consideration of an increase in your commercial account upon which we pay no interest so we may through that means lower the average cost.

I believe that you are already familiar with the circumstances which make it so difficult for banks to pay interest on deposits at this time. For that reason I shall not undertake to enumerate all of the details but I would be particularly grateful if you could see your way clear to accede to my request with the assurance on my part that we will at all times give you the very best we have in the shop and, as time and conditions change, proper adjustments can be made.

As stated before, I hoped to have the pleasure of discussing this situation with you and Mr. Houston in person but as there may be some further delay in the chances to do this, I am taking the liberty of asking your most careful consideration through this communication.

With kindest personal regards and best wishes to you and your associates, I am,
Cordially yours,

JOHN K. OTTLEY, *President.*

EXHIBIT No. 274

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

SEPTEMBER 10, 1935.

Mr. JOHN K. OTTLEY, *President*
First National Bank,
Atlanta, Ga.

DEAR Mr. OTTLEY: I have your letter of August 29th and appreciate the difficulty sound banks have at the present time to invest their funds and secure an adequate return after covering the expenses of Federal insurance and overhead.

As I stated some time ago, it has been a long-established rule of the Company to concentrate its funds in New York to make them available for prompt investment. Of course, conditions today are different and we have more cash than we need or desire, but we can only hope that this situation will change some day and when it does, of course, bank earnings will probably also improve.

I am enclosing check for Two hundred and fifty thousand dollars (\$250,000) to be credited to the Company's Special Account with your bank. This will increase the balance to well over \$300,000. Of course, if times change and we should have an opportunity to invest our funds more closely than at present it may be necessary to draw down the balance for this purpose.

With kindest regards, I am,

Yours very truly,

G. C. TURNER, *Treasurer.*

EXHIBIT No. 275

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

CHICAGO, September 13th, 1933.

DAVID F. HOUSTON, Esq., *President*
The Mutual Life Insurance Co. of N. Y.,
34 Nassau Street, New York, N. Y.

MY DEAR MR. HOUSTON: The Mutual Life Insurance Company has about five accounts with the Continental Illinois National Bank & Trust Company of Chicago, with balances averaging about \$200,000, and one of which is termed the "Home Office Account" amounting to \$44,000.00. The others are "Agency Accounts."

These accounts are very much appreciated, but in view of the very large balances which I notice you carry in various New York banks, I am wondering if you would not be disposed to carry a larger amount of the Home Office Account with the Continental Illinois National Bank & Trust Co. of Chicago.

The bank has private wire connections with New York and can make immediate transfer of funds when necessary, so that your money would be just as available to you in Chicago as it is in New York. If you can see your way clear to increase your account with the Continental Illinois National Bank & Trust Co. I would appreciate it very much indeed.

I hope that you are enjoying the best of health and with kindest regards, I am,
 Most sincerely yours,

STANLEY FIELD.

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

SEPTEMBER 20, 1933.

MR. STANLEY FIELD, *Chairman of the Board,*
Continental Illinois National Bank & Trust Co.,
Chicago, Ill.

DEAR SIR: President Houston has referred your letter of September 13th to me for attention and reply.

It is true that at the present time the company has rather large balances in New York banks. This, however, is only a temporary condition as it has always been our practice to invest our surplus funds promptly and thus keep our cash balances at a minimum. We have been able to do this because, except for a short period recently, our cash income has always been in excess of our outgo. This has been true practically since the inception of the company in 1843. We are apparently again reaching this state of well being due to the decrease in the amount paid out for policy loans. I trust, therefore, our cash balances will soon be reduced by investment. This is especially desirable now that interest is no longer payable on demand deposits.

I am aware of the importance of your bank in the territory it serves and desire to keep an adequate balance at all times. Nevertheless, when it is considered that the Company has around one hundred accounts throughout the country, you will realize that a few thousand dollars added to each account in the total would amount to a very large sum, which would not be available for investment. For this reason we endeavor to keep our agency bank balances as low as we possibly can, after allowing for a reasonable profit to our bankers for carrying our accounts.

I am arranging to increase the balance in our Home Office account with your bank. If you will kindly have an analysis of our other accounts made and it is found that the balances maintained are inadequate I shall be glad to raise them to the necessary levels.

Yours very truly,

_____, *Treasurer.*

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

FIELD MUSEUM OF NATURAL HISTORY,
Chicago, September 22nd, 1933.

GEORGE C. TURNER, Esq., *Treasurer,*
Mutual Life Insurance Co. of N. Y.,
34 Nassau Street, New York, N. Y.

DEAR MR. TURNER: I thank you for your letter of September 20th being an answer to a letter which I wrote President Houston with reference to the deposits of the Mutual Life Insurance Company of New York with the Continental Illinois National Bank and Trust Company.

I am advised that the Agency Accounts are maintained on a satisfactory and profitable basis and that what the bank was anxious to obtain was a larger deposit of the Home Office Account. They were very grateful, therefore, when I reported to them this morning the contents of your letter and I wish to express my personal appreciation of the action which you are taking to increase this deposit with the Continental Illinois National Bank and Trust Company.

With very kindest regards, I am

Most sincerely yours,

STANLEY FIELD.

EXHIBIT No. 276

[From files of Mutual Life Insurance Co. of New York, office of the president]

BANKERS TRUST COMPANY,
New York City, December 16, 1932.

Mr. DAVID F. HOUSTON, *President,*
The Mutual Life Insurance Company of New York,
34 Nassau Street, New York City.

DEAR MR. HOUSTON: I want to drop you this line to repeat the expression of appreciation which I made at the Finance Committee meeting in connection with the opening of the account of The Mutual Life Insurance Company, with Bankers Trust Company. I personally am delighted to feel that we are to have the responsibility of safeguarding some of your funds and all of us here are very pleased at the thought of a closer association between us. I am sure you know that I will do anything I can to make this association agreeable and profitable.

With best wishes, I am

Sincerely yours,

S. SLOAN COLT.

EXHIBIT No. 277

[From files of Mutual Life Insurance Co. of New York, treasurer's department]

Statement showing the highest bank balance and rate of interest paid on company's deposit accounts in the following banks for the years 1928 to 1938, inclusive

HIGHEST BANK BALANCE

	Date estab- lished	1928	1929	1930	1931	1932	1933
Fourth National Bank of Atlanta..... First National Bank of Atlanta..... Continental Illinois National Bank & Trust Co., Chicago..... Bankers Trust Co., New York..... New York Trust Co..... First National Bank, New York..... Central Hanover Bank & Trust Co..... Citizens Union National Bank, Louisville..... Guaranty Trust Co., New York..... Farmers Loan & Trust Co..... National City Bank, New York..... National City Bank (collection account).....	July 25, 1928	\$13, 341. 71	\$61, 255. 76	\$56, 828. 21	\$58, 147. 95	\$119, 911. 45	\$551, 553. 30
	Nov. 25, 1929		313, 673. 34	80, 481. 67	166, 363. 58	657, 550. 62	514, 690. 27
	Mar. 18, 1929		30, 367. 36	26, 396. 16	150, 010. 60	1, 518, 517. 03	6, 836, 786. 85
	Dec. 15, 1932		31, 099. 16	901, 787. 36	1, 173, 291. 15	1, 992, 993. 77	3, 975, 288. 97
	Apr. 11, 1910		490, 986. 98	1, 584, 636. 76	2, 816, 066. 05	3, 271, 797. 19	6, 768, 832. 26
	1879.....		2, 455, 836. 13	24, 015. 28	31, 683. 85	91, 164. 93	123, 383. 63
	July 22, 1929		7, 136. 60	7, 601. 28	7, 165. 09	15, 126. 97	29, 335. 69
	Mar. 4, 1929		9, 790, 865. 68	5, 983, 714. 90	8, 968, 734. 09	6, 983, 011. 65	10, 097, 908. 36
	(1)		1, 500, 000. 00	2, 500, 000. 00	4, 500, 000. 00	5, 000, 000. 00	5, 938, 000. 00
	Sept. 4, 1908		4, 000, 000. 00	2, 500, 000. 00	4, 500, 000. 00	5, 000, 000. 00	5, 938, 000. 00
June 28, 1929	do.....	do.....	do.....	do.....	do.....	do.....	do.....

RATIO OF INTEREST PAID

	1928	1929	1930	1931	1932	1933
Fourth National Bank of Atlanta.....	3	3	2½-3	1½-2-2½	1-1½	{ Time deposit 1½-1½ Time deposit 1½
First National Bank of Atlanta.....	do.	2	2	½-1-1½-2	½-1	1-½-½
Continental Illinois Bank & Trust Co., Chicago.....	do.	2	1-1½-2	1½-1	½	Time deposit 1½-1½
Bankers Trust Co, New York.....	2½	2	1-1½-2	1½-1	1½-1	Time deposit 1½-1½
New York Trust Co.....	2-2½	2-2½	1-1½-2-2½	1½-1	1½-1	Time deposit 1½-1½
First National Bank, New York.....	{ 3½ 2-2½	{ Time deposit 2½ Time deposit 2½	1-1½-2-2½	1½-2	1½	1-½-½
Central Hanover Bank & Trust Co.....	do.	2	1-1½-2	½-1	½	1-½-½
Guaranty Trust Co., New York.....	2-2½	2½	1-1½-2-2½	½-1	½-1	{ Time deposit 1½ 1½-½
Farmers Loan & Trust Co.....	do.	{ 2½ 2-2½	1-1½-2-2½	{ Time deposit 1½ 1½-1	½-1	1-½-½
National City Bank.....	do.	do.	do.	do.	do.	do.
National City Bank (collection account).....	do.	do.	do.	do.	do.	do.

	1934	1935	1936	1937	1938
Fourth National Bank of Atlanta.....	Percent.....	Time deposit ½	Time deposit ½	Time deposit ½	Time deposit ½
First National Bank of Atlanta.....	do.	do.	do.	do.	do.
Continental Illinois Bank & Trust Co., Chicago.....	do.	do.	do.	do.	do.
Bankers Trust Co., New York.....	do.	Time deposit 1	Time deposit ½-¾	Time deposit ¼	Time deposit ¼
First National Bank, New York.....	do.	Time deposit 1	Time deposit ½-¾	Time deposit ¼	Time deposit ¼
Guaranty Trust Co., New York.....	do.	Time deposit ¾	Time deposit ¾	{ Time deposit ¼ to Mar. 31.	do.
Farmers Loan & Trust Co.....	do.	Time deposit ¾	Time deposit ¾	do.	do.
National City Bank, New York.....	do.	do.	do.	do.	do.

¹ Special deposit to cover purchase of securities.

¹ Date not available prior to 1900.

No accounts.—Fidelity Trust Co., New York; Bank for Savings, New York; Bowery Savings Bank; Central Savings Bank; Federal Reserve Bank, New York; Fidelity & Columbia National Bank, Louisville; Fifth Avenue Bank; New England Trust Co.; Provident Loan Society; United States Trust Co.
Interest allowed was at usual rates for similar type deposits. Length of deposits have been continuous since opening date. Interest on the above other than on time deposits is the regular rate allowed on the other bank balances.

EXHIBIT No. 278

[From files of Mutual Life Insurance Co. of New York, office of the president]

OCTOBER 19, 1931.

Hon. DAVID F. HOUSTON,

Mutual Life Insurance Co., 32 Liberty St., New York., N. Y.

MY DEAR MR. PRESIDENT: You were good enough at my suggestion to instruct the Treasurer of the Mutual Life to send some business to my brother-in-law, Howard E. Mitchell, of Abbott, Hoppin & Company, and I understand that he has always attended to his commissions satisfactorily.

At present he is not having an easy time in bringing sufficient business to that brokerage house to justify his continuance and this is a matter of great concern to me. If he can just round this bad corner until times improve, he will have plenty of business for he is a man of great energy and resourcefulness. Therefore, if at this time you could have our treasurer drift a little business toward Mitchell, it would come as a very timely aid to him.

Of course, he can buy and sell bonds on the stock exchange, as well as stocks, and I do hope that you can give him some encouragement at a time when he very sorely needs it. I will regard it as a favor done to me.

Sincerely yours,

JAMES M. BECK.

Pencil notation:

Ans. 5/23/3.

A. L. A.

THE MUTUAL LIFE INSURANCE CO. OF NEW YORK, TREASURER'S DEPARTMENT

Memo of the amounts involved in the acquisition and disposition of securities to Abbott, Hoppin & Co. for years 1924-38, inclusive

Year	Acquired	Disposed of	Year	Acquired	Disposed of
1924.....	-----	-----	1932.....	\$10,675	-----
1925.....	-----	-----	1933.....	-----	-----
1926.....	-----	-----	1934.....	-----	-----
1927.....	-----	-----	1935.....	-----	-----
1928.....	-----	-----	1936.....	-----	-----
1929.....	-----	-----	1937.....	-----	-----
1930.....	-----	-----	1938.....	-----	-----
1931.....	\$97,090	\$308,271.45			

FEBRUARY 14, 1939.

G. C. FINNEY, *Treasurer.*

EXHIBIT No. 279

[From files of New York Life Insurance Company]

NEW YORK, May 1, 1933.

Mr. ALFRED L. AIKEN,

Vice President, New York Life Insurance Co., City.

DEAR MR. AIKEN: I have tried two or three times to connect with you by telephone, but always when you were in executive committee meetings. I wanted primarily to inquire as to a rumor that you were considering the employment of George Henry Payne as a public relations intermediary. I learned on Thursday from T. A. that the suggestion was made by Mr. Straus (this I knew) and that before it reaches a serious state I will have an opportunity to be heard.

Now, however, another matter arises. Due largely to the connection of the McCall family with the National Surety Co., the surety and fidelity items of the miscellaneous lines of insurance of the New York Life were turned over to the National. I assume that the business of that company will be liquidated. In that case, I hope it will be agreeable to you to have your fidelity and surety placed with us.

As to our financial position I may say that we were the one company in a total of 103 in business in the country which made a gain in 1932 in volume, in underwriting profit and in assets.

Sincerely yours,

CHARLES D. HILLES

EXHIBIT No. 280

[From files of New York Life Insurance Co., office of the president]

MAY 10, 1933.

CHARLES D. HILLES, Esq.,
New York, N. Y.

DEAR MR. HILLES: I find that later in the month we have maturing a liability policy covering the Bridgway Hotel in Springfield, Mass. This is now in the National Surety Co. and I shall have the new insurance written with the Employers' and from time to time, as policies expire, we shall be glad to place additional business through your office. At your convenience, will you be good enough to send me the last annual statement of your company that we may have it in our files.

Thanking you for your attention, I am,

Yours very truly,

_____, Vice President.

EXHIBIT No. 281

[From files of New York Life Insurance Co., real estate department]

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LTD.,
New York, August 2, 1933.

Mr. CHARLES R. VAN ANDEN,
New York Life Insurance Co.,
New York, N. Y.

MY DEAR SIR: I have your letter in reference to the steam-boiler insurance. I know that it is your intention to have the company adequately protected with respect to boilers and that you have been advising us of the addition to your holdings of any high-pressure boilers. What we had in mind more particularly was the fact that low-pressure boilers are not insured. I gather from your letter that that is the policy of the company, although we have some of your low-pressure boilers insured with us.

Recently there has been passed in Pennsylvania and Massachusetts laws that affect boilers and pressure vessels. The law in Pennsylvania has brought under the State's jurisdiction certain low-pressure boilers and unfired-pressure vessels. The new law in Massachusetts has brought under the jurisdiction of the State air tanks.

I think it is very advisable to have periodic inspections made, and I believe the best part of the steam-boiler insurance is that as the result of inspection a stitch in time may be taken.

If you think it would be wise to have your list of low-pressure boilers and unfired-pressure vessels examined by a competent man who has knowledge of the States in which there are special laws on the subject, we will be very glad to supply the services of such a man.

Very truly yours,

CHARLES D. HILLES.
Resident Manager

EXHIBIT No. 282

[From files of Mr. Charles D. Hilles, director, New York Life Insurance Co.]

THE EMPLOYERS' FIRE INSURANCE CO.

BOSTON, MASS.

(Personal.)

AUGUST 31, 1938.

To Charles D. Hilles, Esq., New York, N. Y.
From President.

DEAR MR. HILLES: In the past you have on a number of occasions attempted to prevail upon the New York Life Insurance Co. to use the facilities of our fire company. They have, I believe, taken the position they cannot influence their property managers, who in many instances are insurance agents, to place with any one particular company the fire insurance on buildings in which they are interested as mortgagee.

While I quite appreciate their position, I have recently learned from Mr. Bertrand J. Perry, president of the Massachusetts Mutual Life Insurance Co., of Springfield, Mass., that they and many other life companies have decided to use but one fire company to give them the necessary coverage.

Mr. Perry points out, by using this method, they not only secure the advantages of the engineering organization which such companies maintain but also a closer type of coordination. You will observe he indicates a number of other companies have adopted a similar policy. I understand this applies only to properties in which they are interested as owners, having acquired those properties through foreclosure or otherwise.

Possibly, the New York Life Insurance Co. has considered a similar plan. At any rate, I am wondering if you would be so good as to find out what they do and, more particularly, whether or not you could in some fashion or other influence them to use the Employers' Fire Insurance Co. as the company to handle their fire insurance on those properties they own. Such an arrangement, obviously, would help the fire company a great deal.

Yours for the profitable premiums,

EDW. C. STONE.

EXHIBIT No. 283

[From files of Mr. Charles D. Hilles, director New York Life Insurance Co.]

SEPTEMBER 14, 1938.

EDWARD C. STONE, Esq.,
Boston, Mass.

DEAR MR. STONE: I have had an opportunity to talk to the appropriate official of the New York Life Insurance Co. in reference to the company's policy in placing of fire insurance on properties acquired by purchase or foreclosure. There has been no change in the attitude of the company. Repeatedly, efforts have been made to induce the officials to consolidate the fire risk and place it with one fire-insurance carrier. It has been pointed out that a preferential rate might result and there would be added advantage from the available inspection and engineering services.

The New York Life Insurance Co. has taken the position that its representatives in the field should have a relatively free hand in placing fire insurance, except that such representatives must advise the home office in advance of renewals or replacements and have the approval of the home office as to the fire companies that are to participate in the business. Approval is not withheld if a fire-insurance company is a reputable one of good standing. The company does not dictate to its agents in the field nor does it issue an approved list of fire companies. The advantages of this system, which in the opinion of the officers outweigh the disadvantages, are the broad diversification, so that hundreds of millions of dollars worth of eggs are not being put into one basket, and the friendships which flow from an open door to the large number of insurance companies and members of their staffs.

The Legislature of New York at its last session, after 10 years of consideration of the matter, passed a law under which life-insurance companies may not dictate to borrowers as to their fire-insurance brokers or carriers. They may decline certain fire policies for cause, but not otherwise. This problem is not exactly on all fours with the problem of placing insurance on foreclosed risks, but it illustrates a trend, and indicates a public policy.

Sincerely yours,

EXHIBIT No. 284

[From files of New York Life Insurance Co., chairman's office]

NOVEMBER 9, 1933.

Memorandum to Vice-President AIKEN:

Please refer to the attached extract from minutes of the executive committee meeting of November 30, 1932, with reference to the bonding of residential loan correspondents in cases of individuals, partnerships, or small corporations.

Up to August 31 of this year, the coverage referred to was placed with the National Surety Co. (later the National Surety Corporation). However, we were directed, after a conference of some of our executives, to place the coverage with the Employers' Liability Assurance Corporation from August 31, 1933. The Employers' Liability Corporation has furnished us with the same type of bond as we formerly had, and the premium—\$5 per \$1,000—for this bond is the same as it was in the case of the National Surety Co.

Thirty-eight correspondents, including 4 farm loan representatives are covered for a total of \$673,000. The annual premium for this coverage is \$3,365 and this premium for the year ending August 31, 1934, was paid to the Employers' Liability Assurance Corporation, on October 2, 1933. In addition to the blanket bond, we have 12 other bonds furnished by certain correspondents who pay the premiums. The bonds are with various bonding companies. The forms of these bonds are the same, generally speaking, as the form in the blanket bond. Heath Moore & Co. has furnished us with a separate bond for \$25,000 for which he pays a premium of \$125 a year.

All of the bonds referred to above protect this company against losses caused by acts of officers and/or employees of correspondents.

W. T. HADLEY.

EXHIBIT No. 285

[From files of New York Life Insurance Co.]

DAYTON, OHIO, February 6, 1936.

We acknowledge receipt of yours of February 3 and the letter addressed to you by Sidney Eisenberger, receiver in the foreclosure action of the above property, and have noted what he has to say with regard to the several companies whose premiums he quotes.

We find that the Buckeye Union Casualty Co. and the Shelby Mutual Co. are rather small concerns, and that the Employers' Liability and General Accident Companies are the larger companies with whom we ordinarily would be willing to do business.

Our recommendation is that the Employers' Liability Assurance Corporation be used for two reasons. First of all, the fact that our own blanket liability policy is carried in that company, and second, it is the writer's understanding that the General Accident Insurance Co. take a very independent attitude in the handling of their business, in New York. We have had very little insurance with them ourselves and cannot say just how they would react to any business we might be connected with.

The writer knows that several of our officers would prefer that the Employers' Liability Assurance Corporation be used for this coverage if possible.

Very truly yours,

CLAUDE W. SHIMMON,
Superintendent of Real Estate.

EXHIBIT No. 286

[From files of Prudential Insurance Co. of America]

(Memorandum for Mr. Mathers)

Premiums paid (less returns account of cancelations, reductions, etc.) to insurance companies listed

UNITED STATES GUARANTEE CO.

Year	Home office properties	Foreclosed properties	Total
1932.....	None	None	None
1933.....	\$3,562.69	\$16,373.10	\$19,935.79
1934.....	180.44	24,829.23	25,009.67
1935.....	42.41	36,918.83	36,961.24
1936.....	6,064.86	34,294.50	40,359.36
1937.....	690.92	15,984.50	16,675.42
1938.....	1,408.42	19,082.36	20,490.78
Total.....	11,949.74	147,482.52	159,432.26

FEDERAL INSURANCE CO.

Year	Home office properties	Participation in foreclosed property insurance	Total
1935.....	None	None	None
1936.....	\$510.95	None	\$510.95
1937.....	40.13	None	40.13
1938.....	1,430.80	\$91,488.43	92,919.23
Total.....	1,981.88	91,488.43	93,470.31

AMERICAN INSURANCE CO.

Year	Home office properties	Foreclosed properties	Amount retained	Total
1930.....	\$1,280.26	None	None	\$1,280.26
1931.....	990.00	84,370.31	84,370.31	85,360.31
1932.....	1,310.90	142,954.18	142,954.18	144,265.08
1933.....	1,256.50	600,533.24	207,725.63	208,982.13
1934.....	552.31	889,265.13	148,215.85	148,768.16
1935.....	728.50	833,023.81	138,837.29	139,565.79
1936.....	568.98	818,181.40	136,363.58	136,932.56
1937.....	594.73	646,390.73	107,731.79	108,326.52
1938.....	2,002.90	606,544.47	103,006.20	105,008.92
Total.....	9,285.08	4,621,293.27	1,069,204.65	1,078,489.73

J. M. LYNCH, Assistant Supervisor.

FEBRUARY 10, 1939.

EXHIBIT No. 287
Trustees of the Northwestern Mutual Life Insurance Co.
 [Prepared by the Northwestern Mutual Life Insurance Co.]

Name	Elected	Service	Principal business connection	Other business connections	Home address
Percy, C. Madeira.....	July 20, 1910	28	Madeira-Hill Coal Mining Co., 1421 Chestnut St., Philadelphia, president and director (now retired).	Harleigh-Brookwood Coal Co., president and director. Colonial Colliery Co., president and director. Hale Coal Co., president and director. Janesville Coal Co., president and director. Vulcan Smithing Coal Co., president and director. Salisbury Coal Mining Co., president and director. Rookhill Coal & Iron Co., president and director. East Broad Top R. R. & Coal Co., president and director. Mill Creek Coal Co., president and director. Natalie Store Co., president and director. Thomas Colliery Co., president and director. Eutaw Savings Bank, Baltimore, director.	"Brookwood," Ogontz, Pa.
Henry D. Harlan..... Francis G. Echols..... F. J. Sensenbrenner.....	July 17, 1912 July 18, 1917 July 16, 1919	26 21 19	Counsel, Fidelity Trust Co., Baltimore. Retired (formerly president, Greenfield Tap & Die Corporation, Greenfield, Mass.). President, Kimberly-Clark Corporation, 402 Wisconsin, Ave., Neenah, Wis.	Spruce Falls Power & Paper Co., Ltd., president and director. Neenah-Menasha Water Power Co., president and director. William Bonifas Lumber Co., president and director. North Star Timber Co., president and director. Pulp Wood Co., president and director. Appleton Chair Co., president and director. International Cellulose Products Co., director. First National Bank, Appleton, Wis., director. First National Bank, Neenah, Wis., director. American Paper Exports, director. Wisconsin Central Railway, director. Northwestern National Insurance Co., director.	4909 Falls Rd., Baltimore. 53 Walbridge Rd., Hartford, Conn. Neenah, Wis.
Howard Greene.....	.....do.....	19	Retired.		Christiana, Del.
Albert C. Elser.....	July 20, 1921	17	Director, First Wisconsin National Bank, Milwaukee.		2743 North Lake Drive, Milwaukee.

Trustees of the Northwestern Mutual Life Insurance Co.—Continued

Name	Elected	Service	Principal business connection	Other business connections	Home address
Frank R. Bacon.....	July 18, 1923	15	President, Cutler-Hammer, Inc., Milwaukee.	Bucyrus-Erie Co., director. Marine National Exchange Bank, director. Combined Locks Paper Co., president and director. Federal Reserve Bank of Chicago, director.	Fox Point, Wis.
Max W. Babb.....	July 20, 1927	11	President, Allis-Chalmers Manufacturing Co., Milwaukee.	American Hydraulic Corporation, director. Cutler-Hammer, Inc., director. First Trust Co., Oshkosh, president and director.	6440 North Lake Drive, Milwaukee.
Louis Schriber.....	.....do.....	11	President, First National Bank, Oshkosh, Wis.	Colonial Savings & Loan Co., president and director.	Shadowlawn, Oshkosh, Wis.
Joseph W. Simpson.....	.....do.....	11	President, Milwaukee-Western Fuel Co., Milwaukee.	Land Title Guarantee & Trust Co., director.	1335 North Prospect Ave., Milwaukee.
Cleveland R. Cross.....	Jan. 25, 1928	11	Attorney (Garfield, Cross, Daoust, Baldwin & Vrooman). Midland Building, Cleveland, Ohio.	Dells Paper & Pulp Co., Eau Claire, treasurer and director.	1114 West Forest Road, Lakewood, Ohio.
Charles T. Bundy.....	.....do.....	11	Attorney (Bundy, Beach & Holland), Eau Claire, Wis.	Sluyer Steel Casting Co., director.	1406 State St., Eau Claire, Wis.
Charles Q. Chandler.....	July 18, 1928	10	Chairman of board, First National Bank, Wichita, Kans.	Harnischfeger Corp., director. Milwaukee Mechanics Insurance Co., director.	200 South Clinton St., Wichita, Kans.
Walter Kasten.....	.....do.....	10	President, First Wisconsin National Bank, Milwaukee.	National Straw Works, director. Submarine Signal Co., director. Boston Cattle Co., director. Marshall & Ilsley Bank, director.	4408 North Lake Drive, Milwaukee.
John F. Perkins.....	July 17, 1929	9	Judge of juvenile court, Boston, Mass.	American Hair & Felt Co., director. Allen-Bradley Co., secretary and director. Peter Cooper Corporation, director.	Bradlee Road, Milton, Mass.
Louis Quarles.....	.....do.....	9	Attorney (Lines, Spooner & Quarles), 411 East Mason Street, Milwaukee.	Harnischfeger Corporation, director. Clinton Carpet Co., director. Farm Sales & Mortgage Co., director. Dry-Zero Corporation, director. Mariner Realty Co., vice president and director. Clintfield Realty Co., secretary and director. Magnetic Realty Co., secretary and director. O'Neil Duro Co., director. Bankers Farm Mortgage Co., director.	Station C, route 6, Milwaukee.

[illegible]

Trustees of the Northwestern Mutual Life Insurance Co.—Continued

Name	Elected	Service	Principal business connection	Other business connections	Home address
Harold S. Falk.....	Jan. 25, 1933	6	Vice president, The Falk Corporation, Milwaukee.	Machinery Development Co., president and director. Heil Co., vice president and director. Employers' Mutual Liability Insurance Co., director. Wisconsin Securities Co., director. Protection Mutual Fire Insurance Co., director. Mill Owners Mutual Fire Insurance Co., director. Hope Investment Co., director. Mississippi Valley Public Service Co., director.	1869 North Cambridge Ave., Milwaukee.
Fred C. Best.....	do.....	6	President, Farm Sales & Mortgage Co., Empire Building, Milwaukee.	New York & Queens Electric Light & Power Co., director. Brooklyn Edison Co., director. Municipal Lighting Co., director.	Oconomowoc, Wis.
Frank W. Smith.....	July 18, 1934	4	Trustee, Consolidated Edison Co., New York.	New York Steam Corporation, director. Tarrytown Terminal Corporation, director. Consolidated Telegraph & Electric Subway Co., director. Westchester Lighting Co., director. Yonkers Electric Light & Power Co., director. Hotel Waldorf Astoria Corporation, director. Vollrath Co., Sheboygan, Wis., chairman of board. Mountain States Supply Co., Salt Lake City, director. Security National Bank, Sheboygan, director. Chicago & North Western Ry. Co., director. Chicago, St. Paul, Minneapolis & Omaha Ry. Co., director. Bucyrus-Monaghan Co., chairman of board and director. Ruston-Bucyrus Ltd., chairman of board and director. American Brake Shoe & Foundry Co., director. Milwaukee Electric Railway & Light Co., director.	1 Lexington Ave., New York.
Walter J. Kohler.....	do.....	4	Chairman of board, Kohler Co., Kohler, Wis.		Kohler, Wis.
William W. Coleman.....	do.....	4	President, Bucyrus-Erie Co., South Milwaukee, Wis.		1101 North Marshall St., Milwaukee.

Walter Davidson.....	July 24, 1935	3	President, Harley-Davidson Motor Co., Milwaukee.	Marshall & Hsley Bank, director.....	3810 North Lake Drive, Milwaukee.
Irving Seaman.....	Feb. 5, 1936	3	Retired; address, 735 North Water St., Milwaukee.	Wisconsin Electric Power Co., director.....	Route 6, station 6, Milwaukee.
Robert F. Carr.....	do.....	3	President, Dearborn Chemical Co., Chicago, Ill.	Formerly secretary-treasurer, Seaman Body Corporation, Milwaukee.	Shadow Bridge, Lake Forest, Ill.
Rock Sleyster, M. D.	July 15, 1936	2	President, Milwaukee Sanitarium, Wauwatosa, Wis.	Continental Illinois National Bank & Trust Co., director.....	1220 Dewey Ave., Wauwatosa, Wis.
Henry R. Trumbower.....	do.....	2	Professor of economics, University of Wisconsin, Madison.	Peoples Gas Light & Coke Co., director.....	1722 Summit Ave., Madison, Wis.
Benjamin Poss.....	do.....	2	Attorney (Poss, Toelle & Schuler), Empire Building, Milwaukee.	Wilson & Co., director.....	4676 North Lake Drive, Milwaukee.
Merle Thorpe.....	do.....	2	Editor, Nation's Business, Washington, D. C.	National Metropolitan Bank, director.....	Pook's Hill, Bethesda, Md.
				Chesapeake & Potomac Telephone Co., director.....	
				Capital Transit Co., director.....	

EXHIBIT No. 288

[Transcript of Wisconsin State law re procedure to be followed in contested elections of directors or trustees in mutual life insurance companies]

206.04. *Mutuals, elections, electors, eligibility, vacancies, proxies.*—(1) At every general election of directors or trustees in any domestic mutual life insurance company, every policyholder whose insurance shall have been in force one year, shall be entitled to one vote for each director or trustee to be elected, and in case of a contested election, but not otherwise, may cast all such votes for one candidate or distribute them among the number as he may elect. But if a policy shall have been assigned more than six months prior to the election by an assignment absolute on its face to an assignee other than the insurer, the assignee shall be deemed to be a policyholder entitled to vote as aforesaid; provided, his signature, either attested by the assignor or duly acknowledged, shall have been filed at the home office of the company. Any policyholder entitled to vote at any election shall be qualified to fill any office to be voted for at any such election. General elections shall be held at intervals of not more than two years. At each such election not less than one-fourth of the directors or trustees provided for in the charter or articles shall be elected. No appointment or selection of a director or trustee to fill a vacancy other than when made by general election shall extend beyond the next general election.

(2) All elections shall be held at the home office, and the polls shall be open from ten o'clock in the forenoon until four o'clock in the afternoon, after which time no ballot shall be received. Policyholders may vote in person or may transmit their ballots to the company by messenger or by mail, but no voting proxy shall be allowed at any election or upon any question. Notice of such election shall be published once in each week for four successive weeks immediately preceding the date fixed therefor in at least two newspapers of general circulation in this state, one published at the city of Madison, and one at the place where the home office of the company is located.

206.05. *Mutuals, nominating, directors, penalties.*—(1) Not more than ninety nor less than sixty days prior to any general election by any mutual company, the directors or trustees shall appoint three voters, who are not directors or trustees, as inspectors of election, who shall be paid by the company, and such directors or trustees shall suggest a candidate for every office to be filled at the ensuing election, and shall file with the commissioner a certificate thereof, giving the names, occupations, and addresses of such inspectors and nominees.

(2) Any officer, director, trustee, agent, or employee of such company, who shall directly or indirectly nominate or assist or encourage the nomination of any candidate for the office of director or trustee other than those on the administration ticket, or who shall use or expend any of the property or funds of the company in promoting the election of any person, except as authorized in this section, shall be guilty of a misdemeanor.

(3) One hundred or more voters, of such company may suggest candidates for the offices to be filled, by filing with the commissioner and with the secretary of the company, not more than ninety nor less than sixty days prior to such election, a certificate signed and acknowledged by them, giving the names, occupations, and addresses of their candidates, together with a statement signed by said candidates that they will accept office if elected.

(4) In case of the death or resignation or incapacity of any candidate, a majority of the board of directors, or trustees, or a majority of the persons suggesting the name of such nominee may suggest a candidate in his place, by filing prior to the day set for the election a certificate like that required for the original nomination. If such certificate be filed more than fifty days prior to the election, the name of such substituted candidate shall be on the ballot.

(5) On each certificate of nomination there shall be placed after the name of each candidate the words "for a full term" or "for unexpired term of ----- years, or -----" (naming the director or trustee to fill whose unexpired term such person is nominated).

206.06. *Mutuals, validity of votes.*—(1) No vote shall be counted if cast for any person other than one who was nominated as provided in section 206.05.

(2) All votes shall be by ballot and no ballot shall be counted unless signed by a policyholder qualified to vote and sealed in an envelope addressed to the company, marked "Ballot for Directors (or Trustees)," and having no other mark thereon. Opposite the name of each candidate on the ballot shall be stated the term for which such candidate has been nominated.

(3) Any question submitted to the policyholders shall be voted upon at the general election, and a separate ballot shall be furnished the policyholders by mail or otherwise, with the ballots containing the names of candidates for directors or trustees. Such separate ballot shall state the question concisely and contain space for voting, thus:

For []

Against []

(4) Ballots and envelopes for inclosing the same shall be supplied by the company and furnished to any policyholder applying therefor by mail or otherwise. Voted ballots may be sent to the company at its home office by messenger or by mail or may be delivered to the inspectors personally at any time before the closing of the polls, and shall be canvassed and preserved and the result certified and reported by the inspectors in the same manner as votes for directors or trustees

206.07. *Mutuals, elections, ticket, instructions, voting.*—(1) In case no nomination other than by the directors or trustees shall have been made, the ballot for directors or trustees may be in such form as the directors or trustees or a committee thereof shall prescribe, and shall be ready for delivery to policyholders not less than ten days prior to the election.

(2) In case any independent nomination shall have been made the company shall, not less than fifteen nor more than fifty days prior to the election, mail in a sealed envelope, to each policyholder entitled to vote at his last known post-office address, a return envelope addressed to the home office and marked "Ballot for Directors (or Trustees)," together with a ballot which shall be substantially in the following form:

BALLOT FOR ELECTION OF DIRECTORS (OR TRUSTEES)

For (name of company home office, post-office address).

To succeed the directors or trustees whose terms expire as follows:

INSTRUCTIONS TO POLICYHOLDERS

The policyholder is entitled irrespective of the number of policies and amount of insurance held by him to one vote for each of the directors or trustees to be elected, and where there is a contest may cast all such votes for one candidate or distribute them among the candidates as he may elect. Votes shall be indicated by a numeral placed after the name of the person voted for, thus "John Doe, farmer, Madison, Wisconsin, for a full term (1)." No fractional vote shall be recognized. On any ballot recording a greater number of votes than authorized only the first ----- votes will be counted. The ballot shall specify the number of a policy held by the voter, shall be signed by him, and his signature attested by a subscribing witness, and shall be inclosed in a sealed envelope marked on the address side, "Ballots for Directors (or Trustees)," addressed to said company at its home office without any mark or designation to indicate the identity of the voter, and delivered before four P. M. -----, 19----, at the home office of the company by mail or messenger or in person.

Directors' nominations	Vote here	Independent nominations	Vote here
John Doe, farmer, Madison, Wis., for a full term.	-----	Richard Doe, banker, Milwaukee, Wis., for a full term.	-----
William Smith, merchant, Chicago, Ill., for unexpired term of ----- years.	-----	John Doe, lawyer, New York, N. Y., for unexpired term of ----- years of..	-----

Attested-----

P. O. Address-----

Signed by-----

P. O. Address-----

Policy No.-----

(3) If any question is to be submitted to the policyholders at such election a ballot for voting thereon shall also be inclosed, but no other paper or matter shall be inclosed. Specimen ballots and envelopes shall be filed with the commissioner before being used.

206.08. *Mutuals, elections, canvass, preservation of ballots, penalties.*—(1) All ballot envelopes received at the home office before the polls are closed and marked substantially as "Ballot for Directors (or Trustees)" shall be delivered to the inspectors of election and the ballots therein canvassed.

(2) Any person concealing or withholding, or participating in the concealment or withholding from the inspectors, or opening or being privy to the opening of any such envelope containing such ballot, except as authorized by law, shall be guilty of a misdemeanor.

(3) All ballots voted shall be received by the inspectors subject to verification and ascertainment of the validity thereof, and of the qualification of the voters, and immediately upon the closing of the polls the inspectors shall proceed to canvass the votes. The canvass shall proceed from day to day until completed. Any nominee may be present during the casting and canvass of the votes. All ballots and envelopes received by said inspectors shall immediately upon completion of the canvass be placed in sealed packages and preserved by them for four months from the date of the election.

(4) The person receiving the highest number of votes for a full term shall be elected for a full term, and the person receiving the highest number of votes for each unexpired term shall be elected for such unexpired term. In case two or more persons shall receive the same number of votes, for the same office, the inspectors shall decide the election by lot.

206.09. *Mutuals, election reported to secretary and commissioner.*—The inspectors shall at the conclusion of the canvass sign and file with the secretary of the company and the commissioner certificates of the result of the election, stating the names of all persons for whom votes have been cast for a full term and the number cast for each, and also the names of the persons for whom votes have been cast for each unexpired term and the number of votes cast for each such person; and their decision in case of a tie vote.

206.11. *Mailing ballot not to validate policy.*—Mailing a ballot to any person shall not be construed as an admission of the validity of any policy, or that such person was a policyholder; and no such mailing shall be competent evidence in any action or proceeding in which the question of the validity of any policy or of any claim under it is involved.

206.12. *Mutuals, quarterly meetings; forfeit for absence.*—The trustees or directors of every domestic mutual life insurance company shall hold regular meetings at least once each quarter upon such dates as shall be designated in its charter or articles or by-laws. Any trustee or director who shall be absent from three consecutive meetings shall forfeit his office and shall be ineligible to office for six months.

206.13. *Participating policies.*—(1) No mutual life insurance company and no stock life insurance company issuing any participating policies, shall issue any participating policies in this state which do not, by their terms, give to the holders thereof full right to participate annually in the surplus accumulations from the participating business of such company, as provided by law of this state.

EXHIBIT No. 289

[Prepared by the Northwestern Mutual Life Insurance Co.]

FEBRUARY 10, 1939.

Company's average daily bank balances, by years

	1933	1934	1935	1936	1937	1938
First Wisconsin National Bank, Milwaukee -----	\$1,956,000	\$1,532,000	\$1,752,000	\$2,061,000	\$1,595,000	\$1,736,000
Marine National Exchange Bank, Milwaukee -----	1,235,000	1,548,000	1,798,000	2,061,000	1,561,000	1,718,000
The Chase National Bank, New York -----	1,687,000	1,523,000	2,026,000	2,095,000	1,631,000	1,734,000
Bankers Trust Co., New York (account opened Aug. 7, 1933) -----	880,000	1,474,000	1,635,000	1,936,000	1,323,000	1,572,000
First National Bank of Chicago (account opened Mar. 13, 1933) -----	1,337,000	1,446,000	1,633,000	1,847,000	1,437,000	1,560,000
Northern Trust Co., Chicago (account opened Oct. 6, 1933) -----	1,109,000	1,350,000	1,484,000	1,800,000	1,473,000	1,557,000
First Wisconsin National Bank, Milwaukee, second ward office (account closed May 25, 1935) -----	500,000	500,000	500,000	-----	-----	-----
Marshall & Ilsley Bank (account opened May 16, 1934) -----	-----	100,000	100,000	100,000	100,000	100,000

ЕЖНІВІТ No. 290

[Prepared by the Northwestern Mutual Life Insurance Co.]

[illegible]

EXHIBIT No. 291

Policyholders' examining committees

[Prepared by the Northwestern Mutual Life Insurance Co.]

	Occupation	Address	Age	Suggested by—
1938				
James K. Watkins.....	Attorney.....	Ford Bldg., Detroit, Mich.....	51	W. D. Van Dyke, Jr., trustee; C. R. Eckert, general agent at Detroit; Edmund Fitzgerald, vice president.
George B. Luhman.....	President, First Wisconsin Trust Co.....	Milwaukee, Wis.....	50	
Wallace M. Davis.....	Vice president, Citizens Union National Bank.....	Louisville, Ky.....	40	R. F. Clendenin, general agent at Louisville.
Frank C. Brophy.....	Rancher.....	625 Heard Bldg., Phoenix, Ariz.....	44	C. S. McMartin, general agent at Phoenix.
William N. Smith.....	Vice president, Vinegar Hill Zinc Co.....	Platteville, Wis.....	61	Harry L. French, of the firm of French & Horner, general agents at Madison, Wis.; acceptable to the commissioner of insurance.
1937				
Chris L. Christensen.....	Dean, College of Agriculture, University of Wisconsin.....	Madison, Wis.....	43	French & Horner, general agents at Madison; acceptable to the commissioner of insurance.
George B. Luhman.....	President, First Wisconsin Trust Co.....	Milwaukee, Wis.....	49	
George Watts Hill.....	President, Durham Loan & Trust Co.....	Durham, N. C.....	36	L. Watts Norton, general agent at Durham.
Nicholas H. Noyes.....	Vice president and treasurer, Eli Lilly & Co.....	Indianapolis, Ind.....	54	The office of E. A. Crane, general agent at Indianapolis.
John O'Melveny.....	Attorney.....	433 South Spring St., Los Angeles.....	43	W. K. Murphy, general agent at Los Angeles, and A. C. Hurt, loan agent at Los Angeles.
1936				
Chris L. Christensen.....	Dean, College of Agriculture, University of Wisconsin.....	Madison, Wis.....	42	See above.
George B. Luhman.....	President, First Wisconsin Trust Co.....	Milwaukee.....	48	
J. V. Munro.....	Vice president, Caterpillar Tractor Co.....	Peoria, Ill.....	48	R. O. Becker, general agent at Peoria.
Lewis G. Hartman.....	President, Manufacturers' & Traders Trust Co.....	Buffalo, N. Y.....	47	Crouch & Allen, general agents at Buffalo.
Harry J. Harwick.....	Business manager, the Mayo Clinic.....	Rochester, Minn.....	49	Sam A. Erickson, general agent at Mankato, Minn.; Roland P. Elliott, district agent at Rochester; R. M. Hamburger, general agent at Minneapolis.
1935				
Harry J. Harwick.....	do.....	do.....	48	See above.
James H. McBirney.....	President, National Bank of Commerce.....	Tulsa, Okla.....	63	Harry D. Emmert, general agent at Tulsa.
William F. Witherow.....	Steel manufacturer.....	203 First National Bank Bldg., Pittsburgh, Pa.....	47	R. S. Goldsbury, agent; Roger A. Clark, general agent, at Pittsburgh.
Henry R. Trumbower.....	Professor of economics, University of Wisconsin.....	Madison, Wis.....	53	M. J. Cleary, president; acceptable to commissioner of insurance.
Irving Seaman.....	Secretary-treasurer, Seaman Body Corporation (then).....	735 North Water St. Milwaukee (now).....	54	

1934	E. J. Dempsey.....	Attorney.....	First National Bank Bldg., Oshkosh, Wis.	56	Cameron & Carroll, general agents at Oshkosh; acceptable to the commissioner of insurance.
	Vernon S. Tupper.....	President, Nashville Roller Mills Co.	Nashville, Tenn.	55	E. T. Proctor, general agent at Nashville.
	Robert S. Eaton.....	Treasurer, Norwich Pharmacal Co.	Norwich, N. Y.	51	Henry Phillips, general agent at Syracuse, N. Y.
	Leo S. Black.....	Treasurer, Seattle Cedar Lumber Manufacturing Co.	Seattle, Wash.	39	Joseph Habegger, agent, and M. H. O. Williams, general agent at Seattle.
	Irving Seaman.....		Milwaukee	53	
1933	E. J. Dempsey.....	Attorney.....	Oshkosh, Wis.	55	See above.
	Ralph S. Butler.....	Vice president, General Foods Corporation.	230 Park Ave., New York City	51	C. L. McMillen, general agent at New York.
	G. W. Van Duzee.....	Vice president, the Milwaukee Electric Railway & Light Co.	Milwaukee, Wis.	47	
	John W. Rath.....	President, Rath Packing Co.	Waterloo, Iowa	61	R. H. Pickford, general agent at Cedar Rapids, Iowa.
	Merle Thorpe.....	Editor, Nation's Business.	Washington, D. C.	54	Max W. Babb, trustee.
1932	Arthur W. Fairchild.....	Attorney.....	735 North Water St., Milwaukee	56	
	C. W. Alendoerfer.....	Vice president, First National Bank	Kansas City, Mo.	52	Sam C. Pearson, general agent at Kansas City.
	A. R. Bone.....	Secretary-treasurer, Illinois Bell Telephone Co.	Chicago, Ill.	61	Hobart & Oates, general agents at Chicago.
	Robert O. Lord.....	President, Guardian National Bank of Commerce.	Detroit, Mich.	46	M. L. Woodward, general agent at Detroit.
	E. J. Dempsey.....	Attorney.....	First National Bank Bldg., Oshkosh, Wis.	54	H. J. Mortenson, commissioner of insurance.
1931	James D. Shaw.....	Attorney.....	773 North Broadway, Milwaukee	52	H. J. Mortenson, commissioner of insurance.
	Hon. E. M. Rowlands.....	Bank of Cambodia.	Cambria, Wis.	30	Joseph Chapman, trustee, and R. M. Hamburger, general agent at Minneapolis.
	Frederick B. Wells.....	Vice president F. H. Peavey Co.	Minneapolis, Minn.	58	
	Rorer Sherman.....	Attorney.....	120 South La Salle St., Chicago	59	Hobart & Oates, general agents at Chicago.
	Philip S. Dalton.....	Codlin & Burr, investment bankers (partner)	60 State St., Boston, Mass.	57	John F. Perkins and F. G. Echols, trustees.
1930	Hon. E. G. Smith.....	Chairman of board, Beloit Savings Bank	Beloit, Wis.	75	M. A. Freedy, commissioner of insurance.
	John H. Wiles.....	President, Loose-Wiles Biscuit Co.	811 Commerce Bldg., Kansas City, Mo.	69	Sam C. Pearson, general agent at Kansas City.
	Howard Merryweather.....	Vice president, First-City Trust & Savings Bank.	Akron, Ohio.	40	John S. Marsh, general agent at Cleveland.
	Ralph M. Hoyt.....	President, Title Guaranty Co. of Wisconsin.	110 East Wisconsin Ave., Milwaukee.	40	
	Jesse S. Phillips.....	President, Great American Indemnity Co. (former superintendent of insurance, State of New York).	1 Liberty St., New York	59	H. F. Tyrrell, legislative counsel.

Policyholders' examining committees—Continued

	Occupation	Address	Age	Suggested by—
1929				
Rush C. Butler.....	Attorney.....	120 South La Salle St., Chicago.....	58	H. L. Stuart, policyholder; R. H. Hobart, general agent.
Otto V. Meyhaus.....	President, Corn Exchange Savings Bank.....	Sioux Falls, S. Dak.....	44	H. E. Judge, former member of examining committee.
Hon. L. J. Fellenz.....	Attorney.....	91 South Main St., Fond du Lac, Wis.....	47	M. A. Freedy, commissioner of insurance.
Charles A. Heiss.....	Comptroller, American Telephone & Telegraph Co.....	195 Broadway, New York.....	51	Herman Duval, agent, through J. I. D. Bristol, general agent in New York.
William W. Coleman.....	President, Bucyrus-Erie Co.....	South Milwaukee, Wis.....	56	

NOTE.—The suggestion of Milwaukee members in each case came as a result of discussion among officers and executive committee members.

EXHIBIT No. 292

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY OF
MILWAUKEE, WISCONSIN

Organized 1857

ANNUAL STATEMENT FOR THE YEAR 1938

TRUSTEES

Percy C. Madeira.....	Philadelphia, Pa.
Henry D. Harlan.....	Counsel, Fidelity Trust Co., Baltimore, Md.
Francis G. Echols.....	Retired, Hartford, Conn.
F. J. Sensenbrenner.....	Manufacturer, Neenah, Wis.
Howard Greene.....	Manufacturer, Christiana, Del.
Albert C. Elser.....	Banker, Milwaukee.
Frank R. Bacon.....	President, Cutler-Hammer, Ind., Milwaukee.
Max W. Babb.....	President, Allis-Chalmers Mfg. Co., Milwaukee.
Louis Schriber.....	President, First National Bank, Oshkosh, Wis.
Joseph W. Simpson.....	President, Milwaukee-Western Fuel Co., Milwaukee.
Cleaveland R. Cross.....	Attorney and Counselor, Cleveland, Ohio.
Charles T. Bundy.....	Attorney and Counselor, Eau Claire, Wis.
Charles Q. Chandler.....	Chair. of Board, First Nat. Bank, Wichita, Kans.
Walter Kasten.....	President, First Wisconsin Nat. Bank, Milwaukee.
Hon. John F. Perkins.....	Judge, Boston Juvenile Court, Boston, Mass.
Louis Quarles.....	Attorney and Counselor, Milwaukee.
Robert A. Uihlein.....	Banker, Milwaukee.
Sutherland C. Dows.....	Vice-Pres., Iowa El. Lt. & Pow. Co., Cedar Rapids, Ia.
W. D. Van Dyke, Jr.....	Treasurer, Mineral Mining Co., Milwaukee.
Ethan A. H. Shepley.....	Attorney and Counselor, St. Louis, Mo.
M. J. Cleary.....	President, Milwaukee.
Walter R. Frame.....	President, Waukesha Nat. Bank, Waukesha, Wis.
Mitchell Mackie.....	Manufacturer, Milwaukee.
Harold S. Falk.....	Vice-Pres., The Falk Corporation, Milwaukee.
Fred C. Best.....	President, Farm Sales and Mortgage Co., Milwaukee.
Frank W. Smith.....	Trustee, Consolidated Edison Co., New York, N. Y.
Walter J. Kohler.....	Manufacturer, Kohler, Wis.
William W. Coleman.....	Pres., Bucyrus-Erie Co., S. Milwaukee, Wis.
Walter Davidson.....	Pres., Harley-Davidson Motor Co., Milwaukee.
Irving Seaman.....	Manufacturer, Milwaukee.
Robert F. Carr.....	Pres., Dearborn Chemical Co., Chicago, Ill.
Rock Sleyster, M. D.....	Pres., Milwaukee Sanitarium, Wauwatosa, Wis.
Henry R. Trumbower.....	Prof. of Economics, Univ. of Wis., Madison, Wis.
Benjamin Poss.....	Attorney and Counselor, Milwaukee.
Merle Thorpe.....	Editor, Nation's Business, Washington, D. C.

EXECUTIVE COMMITTEE

M. J. Cleary	Walter J. Kohler
Max W. Babb	Louis Quarles
Frank R. Bacon	Charles Q. Chandler
Howard Greene	F. J. Sensenbrenner

FINANCE COMMITTEE

M. J. Cleary	Harold S. Falk
Fred C. Best	Louis Quarles
W. D. Van Dyke, Jr.	Frank R. Bacon

OFFICERS

M. J. Cleary, President

F. W. Walker, Vice President	Edmund Fitzgerald, Vice President
H. D. Thomas, Vice President	G. L. Anderson, Secretary
Sam T. Swansen, General Counsel	D. E. W. Wenstrand, M. D., Medical Dir.
Grant L. Hill, Director of Agencies	J. E. Fisher, M. D., Medical Dir. Emeritus
Shepard E. Barry, Comptroller	
Percy H. Evans, Vice Pres. and Actuary	

JUNIOR OFFICERS

William, E. Jones-----	Assistant General Counsel.
H. N. Laflin-----	Assistant Counsel.
Norman L. Baker-----	Do.
Harry L. Kellogg-----	Do.
G. M. Swanstrom-----	Do.
F. P. Price, Jr.-----	Do.
W. R. Nethercut-----	Do.
Clarence C. Klocksinn---	Legislative Counsel.
Orville R. Ware-----	Assistant Legislative Counsel.
Ralph E. Perry-----	Assistant Secretary.
H. R. Ricker-----	Do.
J. N. Lochemes-----	Do.
R. L. Armstrong-----	Do.
Frank C. Hemsing-----	Assistant Actuary.
E. G. Fassel-----	Do.
H. G. Brunnuell-----	Do.
V. E. Henningsen-----	Do.
R. T. Gilchrist, M. D.--	Assistant Medical Director.
W. G. Hyde, M. D.---	Do.
A. W. Sivyer, M. D.---	Do.
R. W. Benton, M. D.---	Do.
R. H. Feldt, M. D.---	Do.
G. F. Tegtmeyer, M. D.---	Do.
D. F. Rikkers, M. D.---	Do.
John J. Hughes-----	Assistant Director of Agencies.
U. H. Poindexter-----	Do.
Wm. Ray Chapman-----	Do.
L. J. Evans-----	Do.
W. W. Lundgren-----	Do.
H. A. Wood-----	Auditor.
Jos. T. Gallagher-----	Superintendent of Claims.
R. L. Peters-----	Assistant Superintendent of Claims.
E. P. Lecher-----	Do.
F. E. Wilman-----	Superintendent of Bonds.
Philip N. Cristal-----	Director Railroad Bond Research.
Philip K. Robinson-----	Director Municipal Bond Research.
Donald C. Slichter-----	Director Public Utility Bond Research.
H. A. Merrifield-----	Director of Farm Loan Department.
George C. Becker-----	Manager of Farm Loans.
F. J. Glanville-----	Assistant Manager of Farm Loans.
A. C. Fiedler-----	Do.
Howard J. Tobin-----	Manager of City Loans.
F. P. Price-----	Superintendent of Mortgage Loans.
Karl Maier, Jr.-----	Superintendent of Residence Loans.
H. R. Murphy-----	Superintendent of Real Estate Sales.
J. E. Birkhaeuser-----	Treasurer.
E. C. Scholl-----	Assistant Treasurer.
O. G. Rieck-----	Superintendent of Supplies.

INSURANCE AND AGENCY COMMITTEE

M. J. Cleary, President

Louis Quarles, Trustee	Sam T. Swansen, General Counsel
Edmund Fitzgerald, Vice President	D. E. W. Wenstrand, M. D., Medical Director
G. L. Anderson, Secretary	Jos. T. Gallagher, Superintendent of Claims
Grant L. Hill, Director of Agencies	
Percy H. Evans, Vice President and Actuary	

EIGHTY-FIRST ANNUAL REPORT OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

MILWAUKEE, WISCONSIN, January 24, 1939.

To the Trustees and Policyholders of The Northwestern Mutual Life Insurance Company:

The Executive Committee of the Board of Trustees submits herewith a condensed financial statement showing the condition of the Company as of December 31, 1938. Also included herein is the customary report made each year by an Examining Committee of Policyholders covering its study of the policy, practice, and methods of the management as well as the results obtained and the present condition of the Company. That Committee employed the nationally known audit firm of Peat, Marwick, Mitchell & Company to assist it in the investigation and study. The report of the auditors to the Policyholders Committee is also included.

Although the American public through its purchases and use of life insurance gives daily evidence of its confidence in the institution and the contribution it makes to American welfare, we are not unmindful that during a period when there is emphasis upon a review and appraisal of our economic structure, questions are presented or come to the minds of policyholders as to their insurance. Some correspondence we have received and articles in publications reveal the principal fields of these questions. It will be one of the purposes of this report to present the salient facts relative to some of the questions.

SOURCES OF FUNDS FOR SURPLUS AND DIVIDENDS

The three major sources of funds from which surplus is accumulated and dividends are paid are: (1) Savings from the funds collected to cover the expenses of operation; (2) Savings that result from the actual mortality among policyholders being less than the estimated or expected mortality assumed in the computation of the premium; and (3) The excess of the net interest earned on invested funds over the interest required under the policies to be added annually to the reserves. A brief statement on each of these items may be informative and interesting.

Expense Saving

In each premium there is a provision to cover the expenses necessarily incurred in the operation of the Company. Economical and efficient management, in the absence of unforeseen major contingencies, will not use all of this fund. The unused portion then becomes available for additions to surplus or distribution as dividends. The management has been and is expense conscious. The controllable expenses have been held down and the savings from this item have been remarkably uniform. In the absence of developments beyond the control of management, this uniformity should continue.

Mortality Saving

The gross premium written in the policy is computed on the basis of the American Experience Table of Mortality with an assumed net interest earning of 3% per annum. This table assumes a definite death rate among policyholders and the premium is computed on the theory that that death rate will prevail. By a careful selection of lives through medical examination and other precautions the Northwestern has experienced an annual death rate among its policyholders materially below that contemplated in the table. This has resulted in a substantial saving in funds collected to meet payments accruing under policies maturing by death each year. While the death rate fluctuates moderately from year to year, the saving from this source has been reasonably constant.

Management has some control in connection with this item. By adhering to the standards of selecting lives which produced the past record, the results in the future should approximate our past experience. Those standards in the Northwestern are and will be rigidly maintained.

Excess Interest

Under the terms of our policies and the laws governing life insurance, we are required to add interest annually to the reserve held by the Company for its outstanding policies. All policies issued since February 1, 1899, provide that 3% per annum in interest will be added to these reserves.

The interest earned in excess of the amount necessary to comply with this requirement is termed "gains from interest." That amount is available for addition to surplus or distribution in dividends to policyholders. Up to a relatively recent date it was the largest single source of savings and earnings. As all know, the interest return on sound securities has declined sharply during recent years. This fact has resulted in a heavy shrinkage in our gain from interest which in 1938 totalled \$10,235,462. If we had earned in 1938 the net rate earned in 1928, the gain from interest would have approximated \$25,000,000 instead of \$10,235,462. The difference between these two sums is about 50% of the amount apportioned for dividends in 1939.

Management has little control of interest rates. It must accept the prevailing rate on sound securities in the classes in which it is permitted to invest Company funds. It is encouraging to note, however, that the net rate earned on the Company's investments has been reasonably stable for the past three years. A revival of general business should create a demand for capital and tend to increase the interest rate for new investments.

RAILROADS

We are often asked, "Does the present railroad situation endanger the safety of life insurance?" We answer that question with an emphatic "No." We speak specifically of the Northwestern Mutual, but we believe what is said here is equally applicable to other companies. At the end of 1938 we owned railroad-mortgage bonds with an asset value of \$112,855,247 as shown in the statement on page 26 of this report. That is approximately 9% of our total assets. Such of these bonds as are in default as to principal or interest or are rated by the National Association of Insurance Commissioners as not eligible to amortization are written down to their market values on December 31, 1938. All other railroad bonds are carried in assets at their amortized value as provided by the laws of the various states.

A large percentage of the bonds that are shown at their amortized value includes securities of The Canadian National (fully guaranteed by the Dominion Government), and bonds of strong railroads such as the Santa Fe, Pennsylvania, Norfolk & Western, Louisville & Nashville, Union Pacific, Virginian, Chicago, Burlington & Quincy, and other roads. Other bonds that are shown at their amortized value are, in the main, underlying bonds of railroads that have weathered the strain of recent years and show a present condition which justifies the belief that they will continue to meet their obligations. However, if we wrote off the entire asset value of this latter group (which would be an absurd thing to do) we would still show many millions of surplus.

Every policyholder and in fact every citizen should have a lively interest in the railroad problem. A part of the funds of every policyholder in this and in most of the other large life-insurance companies is invested in railroad securities. He therefore has a direct interest in these roads being able to meet their obligation on these securities. He has a further important interest as a citizen. A healthy and efficient national transportation system is vital to the social and economic welfare of all of the people. While recognizing the important part that other transportation agencies play, it is clear that the railroad is and probably always will be the backbone of such a system. A discussion of the reasons for the present unsatisfactory condition of the railroads and who is to blame for it may serve a useful purpose in planning for the future, but it will not cure the present ills in the railroad structure.

It seems too clear to permit of a difference of opinion that the restoration of the railroads physically and financially is necessary to national safety. Public authorities are actively considering the railroad problem. Every citizen should give public-spirited attention to it, to the end that a solution be found that will promote the social and economic welfare of the people and at the same time contribute to the plans for national safety.

DEPENDABILITY OF ACCOUNTING

Recent events in the business field have centered thought and discussion upon the dependability of financial statements issued by business organizations. A life-insurance company is required to report annually in great detail and under the oath of major officers its transactions during the year and its financial condition at the close of the year. This report goes to the Department supervising insurance in each state in which the company operates. It is checked and audited by competent and experienced state employees. Then, too, each company is

thoroughly examined by trained men from one or more State Insurance Departments at frequent intervals and the findings and conclusions of these examiners become public records.

EXAMINING COMMITTEE

For many years the Northwestern Mutual has also been examined annually by a committee of policyholders who have no connection with the Company whatever except that they are policyholders. The members of that Committee are selected with the end in view of having a geographic distribution as well as a vocational distribution as representative of the policyholders as possible. Seldom, if ever, are more than two members of that Committee—more frequently only one—known by any officer of the Company at the time they are chosen. Each such Committee has employed a nationally known audit company to assist it. That audit company is chosen by the Committee without recommendation or suggestion by any trustee, officer or employee of the Company. Under the By-Laws and the consistently adhered to practice, the Committee and its audit company have complete freedom in their work. The Committee and its auditors usually commence their work about November first each year and conclude it about the 20th of the following January. This permits them to check the year-end figures and to verify by check and count the cash and securities shown in the statement. The Committee and its auditors represent and are responsible to the policyholders—not the management.

TERM INSURANCE

Much has been spoken and written about Term Insurance in recent years. It is moderate to say that much misinformation regarding it is current. Term insurance has a proper and useful place in the service that life insurance offers the public. Its name suggests its limitations. It serves a useful purpose for a limited period of time in the case of some people, or to cover a temporary need in the case of others. If the life insurance need is permanent, term insurance will be decidedly expensive and ultimately disappointing to the person who depends upon it and lives to a reasonably advanced age. This Company offers several forms of term insurance for limited periods containing the privilege of conversion to permanent plans. It desires to sell these plans where they fit the policyholders' need. It does not offer a type of term insurance purporting to provide permanent protection, for it is eager to safeguard its members and itself from the disappointment and dissatisfaction that will come from any such reliance upon term insurance.

SERVICE

The mission of life insurance is service. In the mutual life insurance company there is no profit to anyone but the policyholder. Every life insurance company through its Home Office, its Agencies and Agents, is willing and anxious to serve its policyholders and their beneficiaries. Ask the Company or its agency representatives for suggestions or advice concerning your life insurance before paying someone for a service which can be had without cost for the asking.

There are those who would question the sales or distribution end of business today, including the agency system in the field of life insurance. It seems an accepted fact that the people of the United States are enjoying a standard of living far above that found in any other country. The per capita distribution of telephones, radios, automobiles, and other aids to comfortable living is not even approached elsewhere. That is not to say that the distribution of goods is satisfactory and that we may be complacent; only that, such as it is, the American standard of living is the best yet evolved.

It is significant that along with the realization of the world's highest and most generally distributed standard of living, the American agency system has created and maintained in force an amount of life insurance that is twice the amount in force in all the other nations of the world.

Commissions paid to life insurance agents for securing new members are not solely an out-of-pocket expense, but an investment that will be refunded by the lower than average mortality experienced for some years after medical examination of these newly selected lives. The maintenance of an effectively active and informed agency staff is not only necessary from an intelligent selling and service standpoint but it is profitable to the policyholders.

FINANCIAL STATEMENT, 1938

A condensed tabulation of Income, Disbursements, Assets and Liabilities will be found on pages 25-27.

The Admitted Assets of the Company on December 31, 1938, by classes and percentage of total, were as follows:

	Admitted Asset Values	Percent of Total
Cash on hand and in banks.....	\$12,397,828	1.006
Bonds:		
U. S. A. Government Obligations—direct or fully guaranteed.....	141,305,346	11.459
State, County, Municipal (U. S. A.).....	212,088,705	17.200
Government, Provincial and Municipal (Canada).....	41,700,593	3.382
Railroad.....	112,855,247	9.152
Equipment Trust Certificates.....	35,499,836	2.879
Public Utility.....	98,387,405	7.979
Industrial.....	2,172,000	.176
Total bonds.....	644,009,132	52.227
Mortgage Loans (including \$1,396,379 in foreclosure subject to redemption):		
City Loans.....	226,454,833	18.365
Farm Loans.....	82,119,435	6.659
Total Mortgage Loans.....	308,574,268	25.024
Real Estate:		
Farm properties.....	25,295,351	2.051
City properties.....	11,808,786	.958
Land Contracts.....	6,476,321	.525
Home Office property.....	4,811,908	.390
Total Real Estate.....	48,392,366	3.924
Policy Loans.....	169,240,737	13.725
Automatic and other premium loans.....	16,293,936	1.321
Interest and rents due and accrued.....	16,527,574	1.340
Premiums due and in process of collection.....	17,647,535	1.431
Miscellaneous assets.....	18,317	.002
Total Admitted Assets*.....	1,233,101,693	100.000

*The term "Admitted Assets" designates those assets that are permitted by law and the rulings of the State Insurance Departments to be shown in determining the total assets held against the Company's liabilities.

"Admitted Asset Value" is the value arrived at by applying the rules of valuing prescribed by law and the requirements of State Insurance Departments to the assets owned by the Company.

Specific detail concerning the basis on which bonds are valued for statement purposes (sometimes referred to as "Amortized" and "Market" values) will be found in the Auditors' report on page 22.

BOND INVESTMENTS

The admitted asset value of the bond portfolio as of December 31, 1938, is \$644,009,132, or 52.227% of the total admitted assets of the Company. This is the first time in the history of the Company that bond investments exceeded 50% of its total admitted assets. The admitted asset value above stated is arrived at by valuing bonds not eligible to amortization at their market prices on December 31, 1938, determined by the National Association of Insurance Commissioners; and all other bonds at their amortized value as prescribed by law and the regulations of such Association. It is interesting to note that if all bonds were valued at their market value as of December 31, 1938, the total value of the bond portfolio would be \$657,625,579, or \$13,616,447 greater than the value given it in this statement.

U. S. A. Government Bonds

The admitted asset value of U. S. A. Government bonds—direct and fully guaranteed—is \$141,305,346, or 11.459% of total assets. The total investment in these securities is \$1,878,553 less than one year ago. The average maturity to their first call date is seven years.

U. S. A. Municipal Bonds

The admitted asset value of United States State, County, and Municipal bonds is \$212,088,705, or 17.2% of total assets. This total exceeds the total for 1937 by \$32,842,825. The list includes the obligations of 416 different governmental units. In 1938 substantial additions to this class of bonds were obligations of governmental units and State educational boards that received P. W. A. grants to aid in providing facilities such as sewer, water, and electric service in cities and dormitories and other revenue-producing structures for public educational institutions. There is no default of principal or interest in the entire municipal group.

Canadian Bonds

The total admitted asset value of the bonds of the Dominion of Canada and its Provinces and Municipalities is \$41,700,593, or 3.38% of total assets. There has been no new default in these bonds during 1938.

The only defaults which have occurred in our Canadian holdings are confined to obligations of the Province of Alberta. These defaults occurred several years ago and have not been cured. The Alberta bonds accordingly are carried at their market value as of December 31, 1938.

Public Utility Bonds

The total admitted asset value of the Public Utility bonds, all of which are the obligations of operating companies, is \$98,387,405, or 7.98% of total assets. This holding increased \$31,779,578 during the year. Refunding operations continued in 1938 and a fairly large amount of our previous holding was thereby replaced by bonds paying a reduced rate of interest. Because of the high degree of liquidity resulting from our Government bonds and other bonds having a ready market, we have purchased the bonds of a number of relatively small but thoroughly sound operating companies. There has been no default of principal or interest at any time on public utility bonds owned.

Railroad Bonds

The total admitted asset value of the Railroad bonds owned (not including equipment trust certificates) is \$112,855,247, or approximately 9% of total assets, a decrease of .831% since a year ago. Of this amount, \$10,141,594 are Canadian railroad bonds (of which \$8,566,129 are fully guaranteed as to principal and interest by the Dominion of Canada). The bonds of the Chicago & Alton, and a part of the bonds of the Erie and the Baltimore & Ohio have been taken out of the bonds eligible to amortization and are carried in assets at their market price as of December 31, 1938. All other bonds in default as to principal or interest and bonds not eligible to amortization under the rules of the State Insurance Departments are carried in assets at their market price as of December 31, 1938.

Other Bonds

Railroad Equipment Trust Certificates owned and secured by railroad equipment have an admitted asset value of \$35,499,836. Industrial bonds owned have an admitted asset value of \$2,172,000. No default has occurred in either of these holdings.

MORTGAGE LOANS

The admitted asset value of Mortgage Loans at December 31, 1938, is \$308,574,268, or approximately 25% of total assets, an increase in amount during the year of \$2,447,414.

Farm Mortgages

Farm mortgages total \$82,119,435, a decrease of \$1,352,718 for the year. The Company continues to seek new loans in its farm field. The Northwestern was a pioneer in the farm-mortgage field and its experience has been satisfactory. It takes pride in its contribution to the sound development of agriculture for more than half a century.

City Mortgages

The amount invested in city mortgages totalled \$226,454,833 at December 31, 1938, an increase of \$3,800,132 for the year. Although the construction industry gained in volume over 1937 it did not supply an increased opportunity for invest-

ment of Company funds. Public construction financed by Federal funds and bond issues account for the increase in building activity. Our active effort to obtain satisfactory loans in the residence field continues. We are now making such loans in 77 communities and have accumulated 2,690 loans totalling \$13,924,-194. Our due and uncollected interest on all mortgage loans continues to decrease.

REAL ESTATE

Farm and city properties acquired as a result of mortgage loans foreclosed and unsold on December 31, 1938, had an asset value of \$37,104,137, or approximately 3% of total assets. These properties are in good condition, well rented, and are producing a fair income. Each year full depreciation is taken on buildings and the value at which the properties are carried is reviewed and adjusted to present conditions. No values are ever written up. The properties are being disposed of as promptly as possible at reasonable prices. During 1938 the Finance Committee approved 349 farm sales and 3 city sales. The sale price of these properties exceeded the asset value at which they were carried by \$164,184.

POLICY LOANS

At the close of the year, Policy Loans stand at \$169,240,737, a decrease of \$7,590,285 from the previous year. These loans have been advanced to the holders of 258,105 policies against the cash surrender value of their policies. It should be noted in this connection that of the 1,044,541 policies in force, only approximately 25% have outstanding policy loans; and that the average amount advanced is \$656 per policy so encumbered.

Such loans are not subject to the discretion of the management, but are available to the policyholder on request and valid assignment of the policy in accordance with the agreement contained in the policy. They are not general assets permitting liquidation by sale. They have no maturity date nor penalty for nonpayment. Unpaid interest is added to principal so long as the cash value of the policy is sufficient security for the total of the principal and interest of the loan.

MORTALITY

The mortality among policyholders during the year, 55.99% of the expected was satisfactory. It again reflects the effect of years of cooperation between the Home Office and the Agency force in risk selection. Death claims were paid during the year on 10,804 policies totaling \$44,537,903.

Analysis of death claims shows that the so-called degenerative diseases of the heart, arteries, and kidneys continue to take an increasing number of lives. Coronary artery diseases accounted for 21% of the deaths in 1938 as compared with 18% in 1937. Cancer deaths show a slight increase in spite of the educational efforts of recent years. Tuberculosis accounted for only 2% of deaths in 1938, again showing the effectiveness of the fight against it.

The automobile was responsible for 50.57% of all casualty deaths in 1938, substantially the same as in 1937. Suicide accounted for 4% of the deaths in 1938 compared with 3% in 1937.

INTEREST EARNED

The net rate of interest earned in 1938 as calculated by the rule laid down by the Insurance Departments was 3.77%, or one-tenth of one percent less than in 1937. The net rate earned in each of the last three years has fluctuated very little.

DIVIDENDS

The sum of \$31,725,000 was set aside from divisible surplus for annual dividends payable to the participating insurance in force on the 1939 policy anniversaries. The dividend scale of 1938 was continued for 1939.

RESERVES FOR CONTINGENCIES

In addition to assets equal to its established liabilities, safety demands that a company have a general surplus or contingency reserve adequate to cover possible contingencies that cannot be foreseen or measured in advance. After providing in full for all known liabilities, setting aside \$31,725,000 for dividends payable in 1939, and adjusting bond and real estate values to conform to present conditions, the Company held a Reserve for Contingencies or Unassigned Funds (Surplus) of \$53,288,856, an increase of \$659,583 over the same item a year ago.

NEW BUSINESS—1938

The new business delivered and paid for under 65,635 policies, insuring 57,121 different individuals, totalled \$233,904,794, a decrease in amount from 1937 of 10.8%.

The 57,121 individuals insured during the year is a cross section of typical Americans. Every age from 10 to 65 was represented; and 18.7% were women. 20,502 (35.8%) did not own life insurance at the time of their application. Literally hundreds of occupations were represented. 27,264 (47.7%) purchased \$2,000 or less, which indicates quite clearly that life insurance is not a rich man's institution. The group representing a ten-year age range producing the greatest number of applicants and largest amount of insurance was ages 35 to 44. The average amount of insurance applied for by those previously insured in the Company is double the average of the other applicants.

The number of applicants and the amount applied for is most gratifying, but we repeat again that volume and size is not the major Northwestern objective. Continuous, efficient, personal service to each policyholder and dependable protection at minimum cost represent the highest attainment in the life-insurance field.

TERMINATIONS

A favorable factor in the Company's transactions since 1933 has been the downward trend in the percentage of insurance that has been terminated by the voluntary act or neglect of the policyholder. This percentage was 8.4% in 1933 and gradually decreased to 3.7% in 1937. Reflecting the unfavorable economic conditions, it increased to 4.2% in 1938.

INSURANCE IN FORCE

The total insurance in force at December 31, 1938, under 1,044,541 policies amounted to \$3,893,591,675, an increase of \$34,374,972 over the previous year.

CONCLUSION

The volume of new business secured by the Company's agents during 1938, the low rate of terminations, the consistent mortality experience and the continued satisfactory expense ratio, justify the conclusion that the business of the year was as satisfactory as could be expected under existing business conditions. Having in mind the extent to which asset and liability adjustments of the past ten years have been absorbed in current transactions, we are convinced that the financial strength of the Company has been in no degree diminished by the generally adverse conditions existing during that period.

In closing this report the Executive Committee of the Board of Trustees wishes to express again its appreciation of the effective labors of the Company's agents and employees in the interest of the policyholders.

Respectfully submitted.

(Signed) M. J. CLEARY, President
HOWARD GREENE,
LOUIS QUARLES,
MAX W. BAEB,
WALTER J. KOHLER,
CHARLES Q. CHANDLER,
FRANK R. BACON,
F. J. SENSENBRENNER,
Executive Committee.

REPORT OF THE EXAMINING COMMITTEE OF POLICYHOLDERS

MILWAUKEE, WISCONSIN, January 20, 1939.

*To the Policyholders of The Northwestern Mutual Life Insurance Company.
To the Board of Trustees of The Northwestern Mutual Life Insurance Company.*

The Examining Committee, elected under the provisions of the By-Laws, no member of which is connected with the Company except as a policy-holder, has completed its investigation into the general policies and methods of the Company. It has received and examined a balance sheet audit of the books of the Company and a report thereon prepared by Peat, Marwick, Mitchell & Co., Certified Public Accountants, employed by the Committee. The Committee herewith presents its report and that of the Auditors.

First. The management of the Company is competent and experienced. It is conservatively aggressive and intelligently safeguards the interests of the policyholders. The relationship with the employees is very satisfactory.

Second. The investment of the Company's funds is handled with the utmost care.

(a) Only high grade securities are purchased and, as a result, the Company has suffered relatively little from defaults.

(b) The situation in farm and city mortgage loans is improving. It seems reasonable to expect that in the aggregate the Company will suffer little loss on the properties which it has taken on foreclosure.

Third. In spite of the prevailing low rates on investments the net income of the Company has been reasonably well maintained. There has been careful control of expenses. The mortality record continues to be very satisfactory and indicates there has been no reduction of standards in the selection of risks.

Fourth. The Company continues to show a steady and satisfactory growth.

The Committee has discussed many matters with the officers of the Company and has at all times received the utmost cooperation. We wish to express our appreciation.

Respectfully submitted.

(Signed) JAMES K. WATKINS, Chairman,
Attorney, Ford Building, Detroit, Mich.

GEORGE B. LUHMAN, Secretary,
President, First Wisconsin Trust Company,
Milwaukee, Wisconsin.

WALLACE M. DAVIS,
Vice President, Citizens Union
National Bank, Louisville, Kentucky.

FRANK C. BROPHY,
Rancher, Phoenix, Arizona.

WILLIAM N. SMITH,
Vice President, Vinegar Hill Zinc
Company, Platteville, Wisconsin.
Examining Committee of Policyholders.

REPORT OF PEAT, MARWICK, MITCHELL & CO., CERTIFIED PUBLIC ACCOUNTANTS

To the Examining Committee of Policyholders, The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin.

We have made an examination of the Statement of Financial Condition of The Northwestern Mutual Life Insurance Company as at December 31, 1938, and have reviewed the Statement of Income and Disbursements for the year ended on that date. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods, but we did not make a detailed audit of the transactions.

Cash in banks was confirmed by direct communication with the depositaries, while that on hand was counted.

Bonds on hand in the Company's vaults were confirmed by inspection and count; bonds purchased but not received from banks, bonds on deposit with State authorities and bonds out for collection were confirmed by direct communication with the holders. We made a test inspection of supporting vouchers and Finance Committee approvals covering bonds purchased or sold during the year. All bonds deemed to be amply secured and not in default are stated at cost, less the portion of the premium or plus the portion of the discount necessary to bring the value to par at maturity or first call date; all other bonds are stated at values determined by the National Association of Insurance Commissioners and this basis of valuation conforms with the insurance laws of the State of Wisconsin.

The mortgage loans are secured by first mortgages on city business and residence properties and farms. Loans made during 1938 were checked to the notes and mortgages on hand and test-checked to other supporting documents and to Finance Committee authorizations. Loans made in prior years were test-checked in a similar manner.

Real estate owned consists of farms and city business properties acquired through foreclosure of mortgage loans, and the home office property. We inspected deeds and other documents relating to acquisitions and sales of real estate during the year and test-checked in a similar manner items acquired in

prior years. Farm and business properties are stated at the lower of (1) cost (not including interest unpaid at date of foreclosure) less provision for depreciation and other write downs, or (2) current appraised values as determined by the Company's officials. The home-office property is stated at cost less a provision for depreciation. Land contracts relating to properties sold during the year were inspected; these contracts are stated at the amount of the unpaid principal.

Advances under policy-loan agreements were test-checked to loan agreements, policies held as collateral and tables of loan values. We also tested records relating to automatic and other premium loans.

We satisfied ourselves as to the propriety of the method of determining interest and rents due and accrued as shown in the Statement of Financial Condition. Interest due or accrued on bonds in default has not been included and, in accordance with a ruling from the Insurance Department of the State of Wisconsin, not more than one year's interest on any delinquent mortgage loan has been included and none on mortgage loans delinquent as to interest for over two years.

We made sufficient test-checks of premiums due and deferred to satisfy ourselves that this item is properly stated.

The reserves required by law to be provided in respect of insurance policies and annuities in force have been certified by the Department of Insurance of the State of Wisconsin on the basis of the Company's report of insurance and annuities in force at December 31, 1938. Reserves provided in respect of payments due periodically under option settlements and special contracts and for dividends payable to policyholders in 1939 have been certified to us by the Company's Actuary. We did not confirm independently the amount of any of these reserves.

All ascertained liabilities of which we have knowledge have been included in the accounts and provision has been made on a basis which we believe to be reasonable for death losses not reported at December 31, 1938.

The accompanying Statement of Income and Disbursements summarizes the transactions of the Company described therein, for the year ended December 31, 1938, according to the classification prescribed by the Insurance Department of the State of Wisconsin.

In our opinion, based upon our examination and subject to the foregoing comments, the accompanying Statement of Financial Condition fairly presents the financial position of the Company at December 31, 1938.

(Signed) PEAT, MARWICK, MITCHELL & Co.

MILWAUKEE, WISCONSIN, January 20, 1939.

Statement of Income and Disbursements for the Year Ended December 31, 1938

[Summarized from classification prescribed by State insurance departments]

INCOME

Gross premiums, without deduction of dividends.....	\$130,651,835.16
Interest and real-estate income.....	51,227,538.46
Policy proceeds left with Company for investment and payment in installments.....	25,233,312.63
Dividends left with Company to accumulate at interest.....	941,092.21
Profits on sales of real estate and bonds.....	2,233,791.76
Accrual of discounts on bonds.....	212,620.64
All other income items.....	286,149.78
Total income.....	210,786,340.64

DISBURSEMENTS

Death claims, including \$23,125,915.65 left with Company under installment option settlements.....	44,537,903.62
Matured endowments, including \$1,346,945.46 left with Company under installment option settlements.....	2,692,644.00
Allowed for surrendered policies, including \$739,089.00 left with Company under installment option settlements, and \$20,184,079.43 applied on policy loans, etc.....	27,395,115.50
Dividends to policyholders, of which \$20,028,620.45 was applied to pay renewal premiums.....	31,260,432.09
Annuity and other benefits.....	3,427,997.74
Total paid policyholders and beneficiaries.....	109,314,092.95

Statement of Income and Disbursements for the Year Ended December 31, 1938—
Continued

DISBURSEMENTS—continued

Installment payments from policy proceeds previously left with Company under option settlements.....	\$14,568,224.56
Dividends left with Company, and accumulated interest thereon, withdrawn.....	466,876.89
Taxes: State taxes on premiums; Federal Taxes; licenses and fees; real estate taxes; etc.....	3,275,835.98
Federal and State Social Security disbursements.....	149,080.02
Commissions and collection costs paid to agents on new and old business.....	9,599,880.21
Medical examinations and inspections.....	379,519.21
Compensation to trustees, officers and home-office employees..	2,922,591.49
Postage, printing, office equipment, advertising, etc.....	806,295.46
Real estate repairs and expenses (except taxes).....	2,110,199.94
Mortgage loan, real estate, and bond investment expenses....	864,838.78
Rent for Company's occupancy of Home Office building (offset by income credit).....	617,753.00
Agents' advance remittances (1937), allocated.....	76,914.13
Mortgage loan and real-estate suspense items (1937), allocated..	360,756.06
Real-estate revaluations by reappraisal and depreciation on buildings.....	2,298,579.98
Amortization of premiums on bonds.....	1,431,844.56
Book value of bonds eliminated from asset accounts.....	635,566.01
Loss on sales of real estate and bonds.....	262,039.50
All other disbursement items.....	502,328.32
Total disbursements.....	150,643,267.05
Excess of income over disbursements.....	60,143,073.59
	210,786,340.64

The Northwestern Mutual Life Insurance Company, Statement of Financial Condition of December 31, 1938

ASSETS

Cash on hand and in banks.....	\$12,397,827.53
Bonds—issues in good standing carried at amortized cost; issues not in good standing carried at values determined by National Association of Insurance Commissioners:	
U. S. A. Gov't Securities.....	\$99,231,304.85
Federal Farm Mortgage Corp. bonds fully guaranteed by U. S. A. Government.....	42,074,041.07
Total U. S. A. Government Obligations—direct or fully guaranteed..	141,305,345.92
State, County and Municipal (U. S. A.)..	212,088,704.65
Government, Provincial and Municipal (Canada).....	41,700,592.65
Railroad bonds.....	112,855,246.73
Railroad Equipment Trust certificates..	35,499,836.19
Public Utility.....	98,387,405.39
Industrial.....	2,172,000.00
	544,000,131.53
First Mortgages on Real Estate (including \$1,396,379.44 in foreclosure subject to redemption):	
City loans.....	226,454,833.11
Farm loans.....	82,119,435.45
	308,574,268.56

The Northwestern Mutual Life Insurance Company, Statement of Financial Condition of December 31, 1938—Continued

ASSETS—continued

Real Estate:

Farm properties, at or below cost, less depreciation.....	\$25, 295, 351. 30
City properties, at or below cost, less depreciation.....	11, 808, 786. 13
Home Office property.....	4, 811, 907. 67
Land Contracts on properties sold.....	6, 476, 321. 05

\$48, 392, 366. 15

Advanced under policy-loan agreements..... 169, 240, 736. 86

Automatic and other premium loans..... 16, 293, 936. 37

Interest and rents due and accrued..... 17, 704, 464. 68

Less nonadmitted mortgage loan interest... 1, 176, 890. 41

16, 527, 574. 27

Premiums (net) due and in process of collection and semi-annual and quarterly premiums for the current policy year not yet due, for which required reserves have been included in liabilities.....

17, 647, 534. 78

Miscellaneous assets..... 18, 316. 87

Total admitted assets..... 1, 233, 101, 692. 92

LIABILITIES

Legal reserve or sinking fund required by law under insurance contracts, as certified by the Insurance Department of the State of Wisconsin.....

\$926, 946, 209. 00

Present value of periodical payments not yet due under installment settlement of death claims, endowments, etc.... 140, 976, 425. 00

Reserve for annuities and special contracts..... 63, 130, 856. 00

Set aside from mortality and expense savings and surplus interest, for annual dividends payable on policy anniversaries in 1939..... 31, 725, 000. 00

Dividends and interest thereon left with Company..... 5, 363, 515. 99

Dividends in course of payment and deferred..... 1, 355, 081. 54

Reserve for estimated taxes payable in 1939..... 3, 521, 906. 21

Unpaid bills, commissions, medical fees, etc..... 611, 493. 08

Advance remittances, suspense items, etc..... 678, 527. 93

Death losses and endowments: incurred but unreported; proofs incomplete; claims in course of payment; etc..... 5, 503, 821. 63

Reserve for contingencies—such as asset depreciation, mortality fluctuation, etc.—or “Unassigned Funds (Surplus)”..... 53, 288, 856. 54

Capital Stock (purely Mutual)..... None

Total liabilities..... 1, 233, 101, 692. 92

New business paid for during 1938 and total insurance in force at end of year

States	New business paid for during 1938		Insurance in force Dec. 31, 1938	
	Number of poli-cies	Amount	Number of poli-cies	Amount
New York.....	7, 310	\$34, 732, 893	114, 316	\$543, 503, 554
Illinois.....	7, 422	22, 904, 839	114, 515	407, 387, 660
Wisconsin.....	6, 134	19, 972, 547	101, 832	338, 465, 408
Ohio.....	4, 218	17, 178, 795	70, 013	288, 396, 924
Pennsylvania.....	3, 664	13, 780, 810	63, 149	268, 586, 279
Minnesota.....	2, 802	11, 002, 064	42, 703	161, 090, 082
Michigan.....	2, 931	10, 319, 606	50, 803	194, 124, 252
Iowa.....	4, 313	10, 006, 713	55, 478	141, 019, 207
California.....	2, 371	9, 784, 263	45, 362	179, 640, 046
New Jersey.....	1, 853	9, 042, 545	24, 588	118, 756, 349
Indiana.....	2, 175	8, 032, 260	32, 959	115, 458, 840
Missouri.....	1, 805	7, 007, 871	32, 607	127, 253, 985
Kentucky.....	1, 727	4, 866, 271	23, 361	70, 116, 270
Virginia.....	1, 071	4, 043, 433	15, 129	53, 672, 717
Kansas.....	1, 488	3, 960, 468	19, 521	57, 497, 334
Nebraska.....	1, 537	3, 748, 222	18, 812	54, 461, 419
Massachusetts.....	890	3, 510, 648	21, 844	92, 020, 169
West Virginia.....	882	3, 324, 950	11, 142	42, 498, 715
Tennessee.....	738	3, 221, 356	10, 757	40, 743, 750
Oklahoma.....	1, 139	3, 115, 143	14, 750	46, 574, 533
Maryland.....	762	3, 108, 534	9, 651	45, 542, 734
Connecticut.....	617	2, 881, 469	14, 847	63, 225, 000
Washington.....	830	2, 657, 995	15, 703	57, 059, 023
Colorado.....	862	2, 511, 130	14, 293	47, 041, 224
North Carolina.....	545	2, 497, 888	7, 036	28, 249, 028
Georgia.....	949	2, 418, 385	13, 255	38, 823, 621
District of Columbia.....	665	2, 375, 834	10, 094	36, 273, 967
Oregon.....	778	2, 137, 079	12, 189	35, 471, 369
Arizona.....	348	1, 247, 589	4, 614	17, 343, 891
Maine.....	544	1, 188, 409	9, 082	22, 238, 100
Rhode Island.....	306	1, 168, 314	4, 689	18, 998, 552
South Dakota.....	378	1, 035, 453	6, 720	17, 604, 128
New Mexico.....	253	843, 290	1, 758	5, 919, 461
Idaho.....	302	820, 137	5, 046	13, 826, 151
New Hampshire.....	197	786, 967	2, 929	10, 219, 235
Delaware.....	110	432, 072	1, 459	7, 323, 519
Montana.....	130	347, 912	3, 333	10, 072, 034
Utah.....	138	331, 218	2, 985	8, 309, 661
North Dakota.....	131	315, 397	3, 239	8, 757, 985
Vermont.....	96	271, 533	2, 118	6, 014, 325
Nevada.....	41	197, 500	553	1, 798, 467
Arkansas.....	91	175, 239	1, 564	4, 370, 447
Wyoming.....	33	135, 600	1, 060	2, 890, 493
Texas.....	.....	.....	4, 713	14, 737, 328
Sundries.....	65	464, 223	7, 969	30, 216, 139
Total.....	65, 635	1 233, 904, 794	1, 044, 541	3, 893, 591, 675

¹ Exclusive of dividend additions.

Growth of company since organization

Year ending—	Policies in force	Amount insured	Assets
June 1, 1859.....	137	\$408,800	\$9,335
Dec. 31, 1870.....	35,107	65,186,707	8,991,766
1880.....	34,172	64,967,081	18,346,212
1881.....	37,491	74,503,740	18,859,459
1882.....	40,871	83,355,424	19,794,672
1883.....	43,801	92,083,093	21,115,321
1884.....	45,948	98,793,982	22,528,971
1885.....	50,100	110,710,861	24,265,257
1886.....	56,544	127,629,903	26,669,878
1887.....	64,406	147,615,323	28,858,019
1888.....	73,130	172,518,891	32,672,811
1889.....	84,329	202,405,923	37,116,870
1890.....	98,525	238,908,807	42,353,913
1891.....	113,528	275,674,753	48,826,755
1892.....	128,349	312,512,603	56,236,089
1893.....	136,410	325,152,947	64,071,183
1894.....	144,900	340,697,569	73,349,705
1895.....	155,785	364,259,235	82,902,390
1896.....	165,415	384,167,829	92,633,604
1897.....	178,462	413,081,370	103,375,536
1898.....	196,022	457,712,738	115,446,643
1899.....	211,926	497,606,125	126,646,728
1900.....	224,747	529,647,290	139,512,166
1901.....	243,158	574,705,000	151,944,756
1902.....	262,094	620,681,283	165,042,435
1903.....	280,443	662,851,194	178,200,625
1904.....	299,730	708,552,287	194,777,433
1905.....	320,896	764,266,187	208,417,073
1906.....	339,468	819,252,279	221,101,714
1907.....	361,084	881,563,592	232,819,246
1908.....	382,338	944,576,618	248,025,220
1909.....	403,614	1,012,899,095	262,441,989
1910.....	425,451	1,080,139,708	273,813,037
1911.....	447,507	1,147,273,523	285,575,219
1912.....	477,156	1,229,377,814	297,764,038
1913.....	505,051	1,304,385,035	310,556,962
1914.....	527,872	1,365,269,749	328,247,427
1915.....	548,762	1,420,012,571	343,631,110
1916.....	576,197	1,505,464,984	363,084,218
1917.....	604,580	1,604,426,324	393,533,924
1918.....	616,224	1,680,936,546	414,837,472
1919.....	669,900	1,916,235,082	440,861,776
1920.....	729,715	2,196,673,032	472,693,362
1921.....	759,603	2,350,450,298	507,085,694
1922.....	787,934	2,499,629,811	546,296,308
1923.....	825,147	2,689,218,038	589,029,701
1924.....	858,851	2,879,023,884	632,002,040
1925.....	895,927	3,100,756,578	678,201,510
1926.....	928,857	3,303,842,471	728,766,311
1927.....	962,149	3,499,028,125	761,604,915
1928.....	994,376	3,700,580,850	839,226,915
1929.....	1,027,177	3,913,243,002	888,477,285
1930.....	1,049,503	4,055,474,187	937,721,306
1931.....	1,053,502	4,096,140,160	977,265,829
1932.....	1,031,646	3,998,518,061	996,003,967
1933.....	999,341	3,813,844,834	998,295,364
1934.....	983,021	3,704,527,648	1,018,384,037
1935.....	987,177	3,705,020,135	1,071,991,955
1936.....	1,007,857	3,778,148,862	1,129,853,696
1937.....	1,030,650	3,859,216,703	1,178,428,637
1938.....	1,044,541	3,893,591,675	1,233,101,693

Bonds Owned December 31, 1938

[Items *—At market prices]

[For basis of all bond valuations see explanation on page 13 and Auditors' report on page 22]¹

U. S. A. GOVERNMENT BONDS

	Par value	Admitted asset value
America, United States of:		
Treasury Bonds 3½%, 3/15/1943-41.....	\$2,700,000.00	\$2,731,275.30
Treasury Bonds 3¼%, 10/15/1945-43.....	3,004,000.00	3,124,443.18
Treasury Bonds 3¼%, 4/15/1946-44.....	10,004,000.00	10,419,096.89
Treasury Bonds 3½%, 6/15/1947-43.....	9,000,000.00	9,132,331.47
Treasury Bonds 2¾%, 9/15/1947-45.....	5,000,000.00	5,305,397.23
Treasury Bonds 3%, 6/15/1948-46.....	7,000,000.00	7,386,048.82
Treasury Bonds 2½%, 9/15/1948.....	1,600,000.00	1,658,994.24
Treasury Bonds 3½%, 6/15/1949-46.....	29,005,000.00	29,498,411.21
Treasury Bonds 2¾%, 3/15/1951-48.....	5,870,000.00	6,104,512.64
Treasury Bonds 3%, 9/15/1955-51.....	23,522,000.00	23,870,793.87
Total.....	96,705,000.00	99,231,304.85

U. S. A. GOVERNMENT GUARANTEED BONDS

Federal Farm Mortgage Corporation:		
3% Bonds due 1947 Opt. 1942.....	\$12,878,600.00	\$12,878,600.00
2¾% Bonds due 1947 Opt. 1942.....	2,221,400.00	2,221,400.00
3% Bonds due 1949 Opt. 1944.....	22,203,100.00	22,203,100.00
3¼% Bonds due 1964 Opt. 1944.....	4,746,300.00	4,770,941.07
Total.....	42,051,400.00	42,074,041.07

CANADIAN GOVERNMENT BONDS

Dominion of Canada:		
Thirty-Year Bonds 3%, 1967.....	\$1,600,000.00	\$1,549,703.00
Thirty-Year Bonds 3%, 1968.....	2,000,000.00	1,945,984.20
Thirty-Year Bonds 5%, 1952-42.....	4,206,000.00	4,291,858.24
Total.....	7,806,000.00	7,787,545.44

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS

Alabama, Public Roads, Highway & Bridge, Series B, 4½%, 1946 & 1948.....	\$20,000.00	\$21,661.89
Alabama, Public Road, Highway & Bridge, Series D-1, 4%, 1950.....	60,000.00	65,784.90
Alabama, Public Road, Highway & Bridge, Series D-2, 4½%, 1955.....	51,000.00	56,126.65
Alabama, Public Road, Highway & Bridge, Series E-2, 4½%, 1958 & 1960.....	81,000.00	89,675.27
Alabama, Public Road, Highway & Bridge, Series F, 4½%, 1958 & 1962.....	113,000.00	131,638.42
Alabama, Public Road, Highway & Bridge, Series G-1, 4½%, 1946 & 1949.....	125,000.00	133,511.80
Alabama, Public Road, Highway & Bridge, Series G-1, (Reg.) 4½%, 1946 & 1949.....	899,000.00	961,603.57
Alabama, Public Road, Highway & Bridge, Series G-2, 4%, 1954.....	35,000.00	38,654.30
Alabama, Public Road, Highway & Bridge, Series G-2, (Reg.) 4%, 1954.....	170,000.00	182,008.56
Alabama, Public Road, Highway & Bridge, Series H-1, 4%, 1950.....	256,000.00	312,386.34
Alabama, Public Road, Highway & Bridge, Series I, 4½%, 1951 & 1953.....	25,000.00	27,507.64
Alabama, Public Road, Highway & Bridge, Series J, 4½%, 1955.....	5,000.00	5,639.75
Alabama, Public Road, Highway & Bridge, Series J, 4½%, 1943-1948.....	230,000.00	249,643.86
Alabama, Public Road, Highway & Bridge, Series K-1, 4½%, 1952.....	50,000.00	58,108.81
Alabama, Public Road, Highway & Bridge, Series K-2, 4½%, 1956 & 1959.....	48,000.00	54,907.60
Alabama, Renewal, Class A, 4%, 1956.....	100,000.00	111,368.15
Amsterdam, N. Y., New Intermediate School Bldg., 4½%, 1960.....	11,000.00	11,782.32
Amsterdam, N. Y., New Intermediate School Bldg., & High School Bldg. Imp., 4½%, 1960.....	5,000.00	5,355.61
Amsterdam, N. Y., New Intermediate School Bldg. Site, 4½%, 1959.....	1,000.00	1,068.92
Amsterdam, N. Y., School Series A and B, 4.10%, 1942-1953.....	60,000.00	69,879.55
Amsterdam, N. Y., Upper Vrooman Ave. School Bldg. Series B, 4½%, 1959 & 1960.....	2,000.00	2,140.07
Anderson County, S. C., Road, 2½%, 1939-1946.....	378,000.00	383,248.83
Anoka County, Minn., Trunk Highway Reimbursement, 6¾%, 1930-1941.....	45,000.00	45,146.81
Arlington County, Va., Sewer, 4%, 1940-1963.....	748,000.00	805,146.05
Arlington Heights Township High School Dist. No. 214, Cook County, Ill., School Bldg., 3½%, 1953-1963.....	60,000.00	61,964.68
Ashtabula, Ohio, Electric Light Plant, 6%, 1939-1945.....	160,000.00	161,730.47
Athens County, Ohio, Gen. Fund Road 5%, 1939.....	10,000.00	10,048.66
Atlantic City, N. J., Ref. 2½%-4½%, 1973 Opt. 1936.....	610,000.00	463,865.09
Atlantic City, N. J., Ref. Water 3%-4½%, 1973 Opt. 1936.....	64,000.00	51,855.29
Auburn, Ind., Sewage Works Rev. 4%, 1939-1958.....	90,000.00	97,118.17

¹ Explanatory note on original document. Corresponding appendix pages are 1600 et seq. and 1604 et seq.

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Aurora, Ill., Bridge 4½%, 1939-1948.....	\$84,000.00	\$84,510.99
Baldwin County, Ala., Special Road & Bridge Imp. Ser. A, 5%, 1946.....	165,000.00	179,549.02
Baltimore County, Md., Metropolitan Dist., Issue of 6/1/1927, 4½%, 1943-1967.....	693,000.00	757,203.65
Baltimore, Md., 2nd Sewer Serial Loan of 1924, Series 30 & 32, 4%, 1965 & 1967.....	55,000.00	57,592.27
Baltimore, Md., 3rd Sewer Serial 1933-1967 Loan Series 32, 4%, 1964.....	65,000.00	67,993.58
Bayonne, N. J., Gen. Funding 4½%, 1944-1951.....	445,000.00	464,958.67
Bayonne, N. J., Gen. Imp. 6%, 1950-1957.....	50,000.00	56,653.73
Bayonne, N. J., Imp. 4½%, 1944-1949.....	227,000.00	231,988.28
Bayonne, N. J., Library, 6%, 1953.....	10,000.00	11,457.51
Bayonne, N. J., School, 4½%, 1945-1949.....	9,000.00	9,218.69
Bayonne, N. J., School, Second Series, 4½%, 1949-1958.....	295,000.00	298,367.70
Bayonne, N. J., Water, 4½%, 1945-1949.....	14,000.00	14,293.16
Benton County, Iowa, Primary Road 5%, 1939-1942.....	102,000.00	102,755.23
Berrien County, Mich., Highway Imp. Ref. 2¼%, 1940 & 1941 Opt. 1938.....	175,000.00	174,809.04
Berrien County, Mich., Highway Imp. Ref. 2½%, 1943-1946 Opt. 1938.....	13,000.00	12,979.66
Birmingham, Ala., Drainage, 4½%, 1947.....	35,000.00	38,542.57
Birmingham, Ala., Public Library, 5%, 1949-1954.....	30,000.00	34,059.15
Birmingham, Ala., Grade Crossing Abolition 4½%, 1945.....	10,000.00	10,596.49
Birmingham, Ala., Park, 4½%, 1948-1957.....	137,000.00	139,072.40
Birmingham, Ala., Park, 4½%, 1947-1955.....	40,000.00	43,793.26
Birmingham, Ala., Public School Bldg. 4½%, 1943.....	20,000.00	20,957.31
Birmingham, Ala., Public School Bldg. 4½%, 1949-1952.....	100,000.00	103,428.03
Birmingham, Ala., Public School 5%, 1950.....	160,000.00	165,003.74
Bloomington, Ill., Ref. Series of 1934, 4½%, 1939-1954.....	112,000.00	119,946.82
Blount County, Tenn., Road 5%, 1941-1956.....	140,000.00	145,367.30
Boston, Mass., City loan, Mun. Relief Loan, Act of 1936, 2½%, 1942-1945.....	1,000,000.00	1,008,207.53
Boston, Mass., City Loan 4%, 10/1/1942.....	50,000.00	52,485.23
Boston, Mass., City Loan 4%, 11/1/1947-5/1/1950.....	116,000.00	120,845.49
Boston, Mass., City Loan 4%, 12/1/1944-1949.....	229,000.00	236,860.04
Boston, Mass., City Loan 4½%, 1943.....	50,000.00	53,255.69
Boston, Mass., City Loan, Traffic Tunnel, Act of 1923, 4%, 1980 Opt. 1950.....	285,000.00	291,953.57
Boston, Mass., City Loan, Traffic Tunnel, Act of 1929, 4½%, 1981 Opt. 1951.....	115,000.00	126,510.74
Boston, Mass., City Loan, Traffic Tunnel, Act of 1929, 4½%, 1982 Opt. 1952.....	100,000.00	105,857.97
Boston, Mass., City Loan, Traffic Tunnel, Series B, 4½%, 1963 Opt. 1953.....	60,000.00	66,137.65
Boston, Mass., Rapid Transit Loan Boylston St. Subway 4%, 1/1/1960 & 7/1/1960.....	59,000.00	61,858.99
Boston, Mass., Rapid Transit Loan Boylston St. Subway 4%, 1957.....	107,000.00	109,851.11
Boston, Mass., Rapid Transit Loan, Dorchester Rapid Transit 4%, 4/1/1971 & 10/1/1971.....	112,000.00	117,217.98
Boston, Mass., Rapid Transit Loan, Dorchester Rapid Transit 4%, 1972.....	350,000.00	357,255.91
Boston, Mass., Rapid Transit Loan, Dorchester Rapid Transit 3½%, 1972.....	160,000.00	163,098.13
Boston, Mass., Rapid Transit Loan, Dorchester Rapid Transit 4½%, 1974.....	50,000.00	54,878.28
Boston, Mass., Rapid Transit Loan, Dorchester Tunnel 4%, 1/1/1960.....	41,000.00	43,402.11
Boston, Mass., Rapid Transit Loan, Dorchester Tunnel (Reg.) 4%, 1/1/1960.....	5,000.00	5,143.79
Boston, Mass., Rapid Transit Loan, Dorchester Tunnel 4%, 6/1/1961.....	80,000.00	82,399.72
Boston, Mass., Rapid Transit Loan, Dorchester Tunnel 4%, 10/1/1957 & 4/1/1971.....	17,000.00	17,608.27
Boston, Mass., Rapid Transit Loan, East Boston Tunnel Alterations 4%, 5/1/1967.....	100,000.00	103,451.57
Boston, Mass., Rapid Transit Loan, East Boston Tunnel Alterations 4%, 10/1/1969.....	5,000.00	5,180.46
Boston, Mass., Rapid Transit Loan, East Boston Tunnel Ext. 4%, 1957.....	100,000.00	105,000.39
Bridgeport, Ohio, Village School Dist. 5½%, 1940-1948.....	80,000.00	80,733.86
Bronxville, N. Y., Public Imp. 3.70%, 1939-1974.....	49,000.00	49,250.75
Brown County, Wis., County Insane Asylum 4%, 1941-1948.....	93,000.00	94,686.07
Buckingham County, Va., Highway 5%, 1939-1947.....	18,000.00	18,314.99
Buffalo, N. Y., City Contribution-Relief Project 3.20%, 1939-1948.....	300,000.00	302,508.97
Buffalo, N. Y., Gen. Imp. Water Supply 3%, 1954-1958.....	125,000.00	125,000.00
Buffalo, N. Y., Home Relief 3.20%, 1939-1948.....	500,000.00	504,181.62
Buffalo, N. Y., Ref. 3%, 1954-1958.....	450,000.00	450,000.00
Buffalo, N. Y., Ref. 3.60%, 1947.....	100,000.00	103,332.90
Buffalo, N. Y., Ref. 4.20%, 1951-1953.....	200,000.00	223,163.64
Buffalo, N. Y., Work Relief and/or Home Relief 2.20%, 1944.....	125,000.00	119,504.33
Buffalo, N. Y., Work Relief and/or Home Relief 4½%, 1944.....	500,000.00	502,785.47
Buncombe County, N. C., Ref. 1½-4%, 1976.....	704,000.00	777,876.33
California, Gen. Relief 3½%, 1940-1943.....	3,000,000.00	3,082,845.68
California, Highway 4½%, 1959.....	900,000.00	1,071,365.09
California, San Francisco Harbor Imp. Act of 1909 4%, 1985, Opt. 1951.....	250,000.00	275,904.24
Calicoon, Delaware, Bethel, Fremont, Cochetown, and Liberty, Central School Dist. No. 1, Sullivan County, N. Y., School 3.25%, 1954-1961.....	70,000.00	70,498.62
Campbell County, Va., Road 4½%, 1939-1950.....	64,000.00	64,000.00
Canton, Ohio, 24th St. N. E. Imp. 4½%, 1939 & 1940.....	9,000.00	9,008.34
Canton, Ohio, 25th N. W. Imp. 4½%, 1939.....	10,000.00	10,002.45

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Canton, Ohio, Storm Water Sewer 4½%, 1939-1946	\$15,000.00	\$15,069.09
Carroll County, Tenn., Gen. Ref. Ser. C 5%, 1961, Opt., 1936	49,000.00	49,000.00
Carroll County, Tenn., Gen. Ref. Ser. D 5%, 1961, Opt., 1936	20,000.00	20,000.00
Catawba County, N. C., Gen. Ref. 3½%, 1954-1957	24,000.00	24,000.00
Catawba County, N. C., Gen. Ref. 3½%, 1941-1953	48,000.00	48,956.41
Catawba County, N. C., Road Funding 3½%, 1954-1957	8,000.00	8,000.00
Catawba County, N. C., Road Funding 3½%, 1941-1953	18,000.00	18,353.09
Catawba County, N. C., School 4%, 1944-1964	62,000.00	64,753.37
Catawba County, N. C., School Bldg. 4%, 1944-1952	17,000.00	17,704.31
Catawba County, N. C., School Funding 3½%, 1954-1957	15,000.00	15,000.00
Catawba County, N. C., School Funding 3½%, 1941-1953	29,000.00	29,591.19
Catawba County, N. C., School Ref. 3½%, 1954-1957	8,000.00	8,000.00
Catawba County, N. C., School Ref. 3½%, 1941-1953	15,000.00	15,290.78
Cedar Rapids, Iowa, Ind. School Dist. 4%, 1943-1954	300,000.00	305,952.06
Charleston, S. C. School Dist. 5%, 1948	100,000.00	103,451.74
Charleston, S. C. School Dist. No. 20, Charleston County 3½%, 1939-1957	120,000.00	122,140.78
Charleston, S. C. School Dist. No. 20, Charleston County 3½%, 1958-1962	75,000.00	74,418.83
Charlotte, N. C., Fire Fighting Equip. 4%, 1944 & 1945	6,000.00	6,088.79
Charlotte, N. C., Grade Crossing Elim. 4½%, 1951 & 1952	4,000.00	4,038.89
Charlotte, N. C., Public Imp. 4½%, 1951 & 1952	52,000.00	52,515.51
Charlotte, N. C., Ref. 4%, 1944-1951	58,000.00	58,978.28
Charlotte, N. C., Ref. Water 4%, 1944-1951	87,000.00	88,467.41
Charlotte, N. C., Sanitary Sewer 4½%, 1951 & 1952	24,000.00	24,236.86
Charlotte, N. C., St. Widening & Ext. 4½%, 1951 & 1952	14,000.00	14,138.16
Charlotte, N. C., Water, 4½%, 1951	6,000.00	6,057.46
Cherokee County, S. C., Highway 4%, 1943-1948	90,000.00	94,179.85
Chester County, S. C., Highway Paving 3%, 1948-1951	224,000.00	224,000.00
Chester County, S. C., Highway Paving 4½%, 1943-1952	120,000.00	122,117.88
Chicago, Ill., Board of Education Ref. 4½%, 1954	1,000,000.00	1,035,873.05
Chicago, Ill., Board of Education Revolving Fund, 4½%, 1954 Opt. 1944	4,245,000.00	4,384,583.40
Chicago, Ill., Board of Education Ref. 3½%, 1955 Opt. 1946	1,000,000.00	1,022,465.46
Chicago, Ill., Ref. 4½%, 1954	736,000.00	787,006.42
Chicago, Ill., Direct Obligation 4%, 1940-1948	125,000.00	120,219.01
Chicago, Ill., Water Works System 3%, 1951	86,000.00	86,000.00
Chicago Park Dist., Ill., Funding, 3½%, 1956 Opt. 1946	1,031,000.00	1,053,630.92
Chicago Park Dist., Ill., Ref. Series A, 4%, 1955 Opt. 1946	2,494,000.00	2,626,258.87
Chicago Park Dist., Ill., Ref. Series B, 4%, 1955 Opt. 1940-1955	366,000.00	371,359.83
Chicago Park Dist., Ill., Ref. Series B, 4½%, 1955 Opt. 1942-1947	200,000.00	198,818.90
Chicago Park Dist., Ill., Ref. Series B, 4½%, 1955 Opt. 1940-1945	69,000.00	68,759.65
Chicago Park Dist., Ill., Ref. Series B, 4½%, 1955 Opt. 1940-1949	830,000.00	844,799.82
Chicago Park Dist., Ill., Ref. Series C, 3½%, 1955 Opt. 1946	581,000.00	593,906.90
Chicago Park Dist., Ill., Ref. Series D, 4%, 1955 Opt. 1946	530,000.00	560,076.08
Chicago Park Dist., Ill., Ref. Series E, 3½%, 1956 Opt. 1946	141,000.00	144,922.25
Chicago Park Dist., Ill., Revolving Fund 3½%, 1956 Opt. 1946	857,000.00	878,014.15
Chicago Sanitary Dist., Ill., Ref. Series A, 4%, 1955 Opt. 1945	1,503,000.00	1,545,245.00
Chicago Sanitary Dist., Ill., Ref. Series B, 4%, 1955 Opt. 1940-1954	2,079,000.00	2,188,118.57
Chicago Sanitary Dist., Ill., Ref. Series B, 4½%, 1955 Opt. 1942-1949	781,000.00	810,973.32
Chicago Sanitary Dist., Ill., Ref. Series B, 4½%, 1955 Opt. 1941-1952	1,532,000.00	1,504,569.98
Clark County, Wis., Insane Asylum 5½%, 1942	50,000.00	51,572.55
Clayton County, Iowa, Primary Road Ref. 2½%, 1939-1942	210,000.00	212,714.44
Clearwater, Fla., Waterworks Rev. Cfs. 4%, 1939-1955	76,000.00	76,752.19
Cleveland, Ohio, Board of Education, Bldg. 4½%, 1941	40,000.00	40,500.93
Cleveland, Ohio, City's Portion Paving & Sewer, 11th Series, 3½%, 1947-1949	165,000.00	171,215.50
Cleveland, Ohio, City's Portion St. Opening 4½%, 1946-1949	50,000.00	56,066.19
Cleveland, Ohio, Cuyahoga River Imp. 3rd Series, 3%, 1948-1952	200,000.00	200,000.00
Cleveland, Ohio, Deiciency 5½%, 1940-1949	730,000.00	749,939.83
Cleveland, Ohio, Gen. Sewer, 1st Series 4%, 1951-1956	84,000.00	92,673.10
Cleveland, Ohio, Gen. Sewer, 7th Series, 3%, 1948-1952	100,000.00	100,000.00
Cleveland, Ohio, Ref. 2½%, 1943 & 1944	288,000.00	294,533.12
Cleveland, Ohio, Ref. 3½%, 1944-1953	1,512,000.00	1,545,619.24
Cleveland, Ohio, Sewage Disposal 3rd Series, 4%, 1958	5,000.00	5,557.21
Cleveland, Ohio, Sewage Disposal 4th Series, 4%, 1943-1952	788,000.00	855,389.12
Cleveland, Ohio, Water Works 5½%, 1939 & 1943	30,000.00	31,298.38
Cleveland, Ohio, Water Works 5%, 1947	25,000.00	26,271.34
Cleveland, Ohio, Water Works 4½%, 1940-1958	500,000.00	510,353.54
Collinsville, Ill., Funding, 4½%, 1945-1953	70,000.00	79,712.17
Columbia County, N. Y., Bridge-Highway 4%, 1948-1958	50,000.00	48,897.38
Columbia County, N. Y., Gen. Series A—Highway Series A, 4½%, 1939-1949	71,000.00	71,499.27
Columbus, Ohio, Frambes Ave. Relief Sewer 4½%, 1946	39,000.00	38,811.26
Columbus, Ohio, Incinerator Fund No. 1, 3½%, 1941-1944	108,000.00	109,653.65
Columbus, Ohio, Intercepting Sewers Fund No. 1, 4%, 1940-1946	214,600.00	216,445.77
Columbus, Ohio, Main St. Bridge Fund No. 1, 3½%, 1940-1946	37,000.00	37,593.53
Columbus, Ohio, Mun. Electric Light Plant Ext. No. 10, 5%, 1940	40,000.00	40,224.68
Columbus, Ohio, Relief Sanitary & Storm Sewers, Fund No. 1, 3%, 1943-1956	150,000.00	150,848.77

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Columbus, Ohio, Relief, Sanitary & Storm Sewers Fund No. 1, 4%, 1940-1947.....	\$173,000.00	\$181,342.96
Columbus, Ohio, South Side Storm Sewer 4½%, 1945.....	60,000.00	59,455.35
Columbus, Ohio, 12th Ave. Relief Sewer 5%, 1940.....	40,000.00	40,112.08
Columbus, Ohio, Widening High St. 5%, 1939.....	69,000.00	69,040.82
Columbus, Ohio, City School Dist. 5%, 1945-1947.....	63,000.00	67,493.93
Cook County, Ill. Ref. Series A, 4%, 1935 Opt. 1944-1946.....	721,000.00	758,262.74
Cook County Forest Preserve District, Ill., Ref. Series B, 4%, 1951 Opt. 1946.....	2,361,000.00	2,456,054.85
Cranston, R. I., Ref. Land Purchase 4½%, 1959-1972.....	7,500.00	8,173.67
Cranston, R. I., School, Acts of 1920, 1929, 1930, 4½%, 1946-1970.....	112,000.00	115,790.06
Cranston, R. I., School, Act of 1931, 4½%, 1966-1971.....	42,000.00	45,784.51
Craven County, N. C. Ref. Series A, 2½%-4½%, 1976 Opt. 1937.....	240,858.00	160,102.88
Crawford County, Iowa, Ref. 3½%, 1941-1944.....	71,090.00	74,157.44
Croton-on-Hudson, N. Y., Water System, Harmon Ext., 4%, 1942-1957.....	60,000.00	62,131.19
Cumberland, Md. City Hall Annex Imp., 4½%, 1954.....	50,000.00	53,478.60
Cumberland, Md., Front St. Imp., 4½%, 1954.....	100,000.00	106,902.75
Cuyahoga County, Ohio, Main Ave. Bridge, Series C, 3½%, 1951-1957.....	633,000.00	651,795.45
Cuyahoga County, Ohio, Ref. 4½%, 1940-1946 Opt. 1942.....	7,200.00	7,200.00
Cuyahoga County, Ohio, Road Imp. Loan, 5½%, 1939.....	2,000.00	2,005.50
Cuyahoga County, Ohio, Sewerage Imp., 4½%, 1939-1943.....	375,000.00	377,087.28
Cuyahoga County, Ohio, Water Supply Imp., 5%, 1939-1941.....	28,000.00	28,257.22
Dade County, Fla., Ref. Bldg., 3¾%, 1944-1947.....	267,000.00	268,988.27
Dade County, Fla., Ref. Highway & Bridge, 3¾%, 1943-1947.....	172,000.00	173,278.96
Danbury, Conn. Ref. Series, Issue of 1933, 5½%, 1940-1946.....	173,000.00	187,876.19
Darlington County, S. C., Highway Reimbursement, 3¼%, 1945-1954.....	110,000.00	112,152.94
Dayton, Ohio, Grade Crossing Elim., Series B, 4¼%, 1943-1948.....	33,000.00	34,681.51
Dayton, Ohio, Grade Crossing Elim., Series D, 4¼%, 1943-1948.....	42,000.00	44,549.77
Dayton, Ohio, Grade Crossing Elim., Series C, 3¾%, 1947-1956.....	100,000.00	103,658.95
Dayton, Ohio, Grade Crossing Elim., Series E, 4%, 1941-1957.....	75,000.00	77,824.83
Dayton, Ohio, Sewage Disposal Plant, Series F, 4½%, 1943-1952.....	100,000.00	116,978.35
Dayton, Ohio, Water Works Ext. & Imp., 4½%, 1939-1950.....	79,000.00	79,652.00
Daytona Beach, Fla., Water Rev. Cfts., 4%, 1939-1952.....	98,000.00	98,872.81
Decatur, Ala., Ref., 4%, 1939-1957.....	312,000.00	322,312.73
Des Moines, Iowa, Bridge Fund, 2½%, 1939-1942.....	29,000.00	29,254.62
Des Moines, Iowa, Grading Fund, 2½%, 1939-1943.....	25,000.00	25,214.18
Des Moines, Iowa, Sewer Outlet Fund, 2½%, 1939-1944.....	109,000.00	109,919.91
Detroit, Mich., Public Utility (St. Railway), 4½%, 1944-1949.....	475,000.00	489,456.65
Detroit, Mich., Public Utility (St. Railway), 5½%, 8/15/1944.....	35,000.00	37,096.41
Detroit, Mich., Public Utility (St. Railway), 5½%, 11/1/1945.....	112,000.00	125,869.61
Detroit, Mich., Public Utility (St. Railway), 5½%, 5/1/1948.....	75,000.00	83,351.70
Detroit, Mich., Public Utility (St. Railway), 5½%, 5/1/1949.....	35,000.00	38,782.33
Detroit, Mich., Public Utility (St. Railway), 5½%, 8/1/1950.....	104,000.00	118,659.85
Detroit, Mich., Public Utility (St. Railway), 6%, 1947.....	68,000.00	76,243.94
Detroit, Mich., Public Utility (St. Railway) (Reg.), 6%, 1947.....	225,000.00	255,169.27
Detroit, Mich., Public Utility (Water Supply), 4%, 5/1/1961.....	125,000.00	116,252.29
Detroit, Mich., Public Utility (Water Supply), 4%, 11/15/1958.....	175,000.00	163,585.25
Detroit, Mich., Art Museum Ref., 4½%, 1951.....	43,000.00	44,411.25
Detroit, Mich., Grade Separation Ref., 4½%, 1/1/1951.....	12,000.00	12,393.83
Detroit, Mich., Grade Separation Ref., 4½%, 12/15/1953.....	18,000.00	18,595.26
Detroit, Mich., Heating Plant Ref., 4½%, 1951.....	12,000.00	12,393.83
Detroit, Mich., Hospital Ref., 4½%, 1948 & 1951.....	32,000.00	33,134.61
Detroit, Mich., Hospitals, Ref., Series A, 5½%, 1945.....	10,000.00	10,483.99
Detroit, Mich., Park & Playground Ref., Series A, 5½%, 1945-1948.....	133,000.00	137,747.55
Detroit, Mich., Public Lighting Ref., 4½%, 1/1/1948.....	67,000.00	69,511.16
Detroit, Mich., Public Lighting Ref., 4½%, 12/15/1953.....	27,000.00	27,892.90
Detroit, Mich., Public School Ref., Series A, 4½%, 1947.....	100,000.00	104,593.22
Detroit, Mich., Public School Ref., 4½%, 1949.....	100,000.00	102,160.10
Detroit, Mich., Public School Ref., 4½%, 1948.....	84,000.00	87,148.33
Detroit, Mich., Public School Ref., Series A, 5½%, 1944-1948.....	321,000.00	327,083.19
Detroit, Mich., Ref., Series B, 3¼%, 1962 Opt. 1934.....	10,312.50	10,312.50
Detroit, Mich., Ref., Series C, (Dated 8/1/1934) 3¼%, 1962 Opt. 1935.....	6,874.99	6,874.99
Detroit, Mich., Ref., Series C, (Dated 10/1/1934) 3¼%, 1962 Opt. 1935.....	3,437.51	3,437.51
Detroit, Mich., Ref., Series C, (Dated 4/1/1935) 3¼%, 1962 Opt. 1935.....	3,438.75	3,438.75
Detroit, Mich., Ref., Series F, 3¼%, 1958-1962.....	1,684,000.00	1,676,473.03
Detroit, Mich., Ref., Series F, 4%, 1948-1956.....	971,000.00	1,014,067.63
Detroit, Mich., School Ref., Series D, 4½%, 1962 Opt. 1934.....	500,000.00	488,625.75
Detroit, Mich., Sewer Ref., Series D, 4½%, 1962 Opt. 1934.....	600,000.00	586,350.90
Detroit, Mich., St. Railway Ref., Series C, 3¼%, 1942-1946.....	955,000.00	977,723.04
Detroit, Mich., Water Ref., Series D, 3¾%, 1946-1949.....	500,000.00	510,577.03
Douglas County, Wis., Highway Imp. Series A, 5%, 1941.....	87,000.00	90,891.71
Duluth, Minn., Board of Education, Funding 2.00%, 1940-1943.....	95,000.00	96,021.82
Duluth, Minn., Water & Light Ref., 4%, 1939-1947.....	90,000.00	95,719.66
Durham, N. C., Sewage Disposal, 4%, 1943-1971.....	355,000.00	385,963.84
Durham, N. C., Sewer, 4¾%, 1954-1968.....	37,000.00	43,794.50
Durham, N. C., St. Widening & Ext., 4¾%, 1959-1972.....	12,000.00	14,533.39
Durham, N. C., Underpass, 4¾%, 1959.....	4,000.00	4,683.20
Durham, N. C., Water, 4¾%, 1954 & 1969.....	22,000.00	25,435.91
Durham, N. C., Water Works Ext., 4¾%, 1959 & 1962.....	50,000.00	55,137.92

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
East Bay Mun. Utility Dist. Calif., Water Bonds of 1925, 5%, 1950-1973.	\$620,000.00	\$657,937.00
East Bay Mun. Utility Dist. Calif., Water Bonds of 1928, 5%, 1973.	80,000.00	92,816.70
Eastchester, N. Y., Street Assessment, 3.60%, 1943-1950.	150,000.00	150,198.34
East Orange, N. J. Gen. Imp., Series 12, 4½%, 1944 & 1948.	50,000.00	50,598.80
East Orange, N. J., Serial Funding, 4½%, 1940-1943.	494,000.00	498,764.61
East Providence, R. I., Dam & Reservoir Construction, 4%, 1960-1969.	72,500.00	76,666.65
East St. Louis, Ill., Ref., 4½%, 1939-1942.	161,000.00	161,864.96
East St. Louis Park Dist. Ill., Ref., Series A, 4½%, 1955 Part Opt. 1950.	65,000.00	74,828.76
East St. Louis Park Dist. Ill., Ref., Series B, 4½%, 1955 Opt. 1952-1954.	93,000.00	107,259.93
East St. Louis Park Dist. Ill., Ref., Series C, 4½%, 1955.	52,000.00	57,890.82
Elizabeth, N. J., Gen. Ref., 4½%, 1939-1960.	503,000.00	527,026.06
Elizabeth, N. J., School, 4½%, 1954-1961.	52,000.00	58,550.92
Elizabeth, N. J., School, 4½%, 1955 & 1956.	50,000.00	57,198.20
Etowah County, Ala., Public Road & Bridge 5%, 1945.	120,000.00	132,217.78
Eureka, Calif., Water, Series 2, 4%, 1951-1963.	133,000.00	145,727.13
Evanston, Ill., Waterworks Ext., 4%, 1943-1955.	169,000.00	184,045.88
Fairfax County, Va., Highway, 5%, 1942.	140,000.00	141,199.18
Fairmont, W. Va., Ind. School Dist., 4½%, 1939-1941.	72,000.00	71,950.65
Fall River, Mass., Fall River School Loan, Act 1917, 4½%, 1939.	4,000.00	4,032.21
Fall River, Mass., Fall River Sewer Loan, Act 1923, 4%, 1948-1952.	50,000.00	51,366.72
Fall River, Mass., Fall River Technical High School Loan, Act 1927, 4%, 1940-1943.	168,000.00	169,123.05
Fall River, Mass., Mun. Relief Loan, Act 1935, 3½%, 1939-1943.	50,000.00	50,540.70
Fall River, Mass., Sewer Loan No. 37, 4%, 1939-1947.	18,000.00	18,140.38
Fall River, Mass., Sewer Loan No. 54, 4%, 1939-1947.	36,000.00	36,344.13
Fall River, Mass., Technical High School Loan, Act 1927, 4½%, 1939-1944.	17,000.00	17,196.14
Fayette County, Iowa, Primary Road Ref., 2½%, 1940.	65,000.00	65,426.33
Fond du Lac County, Wis., Corporate Purpose, Series 1933, 5%, 1939 & 1940.	50,000.00	50,465.98
Fordson (now Dearborn), Mich., Addition to Mun. Bldg. Site 4½%, 1957.	50,000.00	55,856.62
Fordson (now Dearborn), Mich., Mich. Ave.-Miller Road—Grade Separation 4½%, 1957.	23,000.00	25,694.05
Fordson (now Dearborn), Mich., Police & Fire Alarm System 4½%, 1957.	17,000.00	18,591.24
Fordson (now Dearborn), Mich., Police Headquarters Bldg., 4½%, 1957.	5,000.00	5,585.66
Fort Wayne, Ind., Sewage Works Rev. 3½%, 1951-1968, Part Opt. 1941.	914,000.00	943,615.12
Franklin County, Tenn., Road 5%, 1956.	171,000.00	178,412.89
Frostburg, Md., Water Imp. 4%, 1939-1962.	52,009.00	54,002.71
Frostburg, Md., Water Imp. 4½%, 1939-1959.	49,000.00	53,826.12
Golden Gate Bridge & Highway Dist. Calif., Bridge, Series A, 4½%, 1961-1966.	1,281,000.00	1,564,154.93
Golden Gate Bridge & Highway Dist. Calif., Bridge, Series B, 4½%, 1962-1964.	110,000.00	136,749.06
Golden Gate Bridge & Highway Dist. Calif., Bridge, Series C, 3½%, 1957-1971.	1,735,000.00	1,872,475.92
Goldsboro, N. C. Water 3½%, 1955-1963.	45,000.00	45,650.36
Goldsboro, N. C. Water 3½%, 1941-1954.	70,000.00	71,775.50
Grand Forks, N. Dak. Board of Ed. of Ind. School Dist. No. 1, Class Room & Assembly Bldg. 3½%, 1939-1955.	143,000.00	146,304.28
Grand Rapids, Mich. Water Rev. 3%, 1953-1958.	132,000.00	132,000.00
Granville County, N. C. Public Hospital 3%, 1946-1948.	21,000.00	21,172.82
Granville County, N. C., Public Hospital 3½%, 1939-1945.	29,000.00	29,189.59
Granville County, N. C., School 3½%, 1946-1950.	25,000.00	25,105.06
Granville County, N. C., School 3½%, 1939-1945.	19,000.00	19,124.02
Greater Greensboro School Dist., N. C., School Bldg. 4½%, 1941-1949.	102,000.00	102,255.90
Greensboro, N. C., Municipal Bldg. 5%, 1941-1943.	14,000.00	14,177.94
Greensboro, N. C., Ref. 4%, 1948 & 1949.	225,000.00	234,482.87
Greensboro, N. C., Water & Sewer 5%, 1940-1944.	11,000.00	11,139.87
Greenville, N. C., Water & Light 3½%, 1951-1963.	119,000.00	120,725.31
Greenville County, S. C., Highway 4½%, 1941.	50,000.00	50,494.84
Hackensack, N. J., Gen. Ref., Series A, B, C, F, G, H, 4½%, 1944-1949.	159,000.00	203,760.77
Hackensack, N. J., Gen. Ref., Series D, 4½%, 1944-1947.	38,000.00	40,545.94
Hackensack, N. J., Gen. Ref., Series E, 4½%, 1945-1947.	16,000.00	16,997.97
Hamblen County, Tenn., Highway 5%, 1945.	50,000.00	50,636.26
Hamilton County, Tenn., Funding 3½%, 1939 & 1940.	140,000.00	140,673.40
Havre De Grace, Md., Ref. Series B, 3½%, 1956 Opt. 1937.	100,000.00	100,000.00
Havre De Grace, Md., Ref., Series C, 3½%, 1956 Opt. 1941.	47,000.00	47,963.78
Haywood County, N. C., Road & Bridge Funding 5%, 1939-1943.	30,000.00	29,974.38
Hempstead, N. Y., School Dist. No. 1, 4½%, 1952-1964.	171,000.00	176,751.25
Highland Park, Mich., Public Schools of, 4½%, 1956.	91,000.00	104,711.41
Highland Park, Mich., Public Schools of, 4½%, 1954.	35,000.00	40,850.44
Hillsborough County, Fla., Highway Ref. 4½%, 1945-1947.	150,000.00	154,539.59
Hudson County, N. J., Armory Site 4½%, 1942-1947.	180,000.00	183,818.02
Hudson County, N. J., Hospital 4%, 1942-1961.	506,000.00	539,818.88
Hudson County, N. J., Road 4½%, 1942-1947.	120,000.00	122,644.65
Humphreys County, Tenn., Highway 5%, 1945.	244,000.00	244,805.53
Huntington, N. Y., Highway-Incinerator 4%, 1944-1948.	150,000.00	151,820.19
Huntsville, Ala., Ref. 4½%, 1949-1968.	250,000.00	269,541.59
Illinois, Highway, Act of 1923, Dated 3/1/1925, 4%, 1946.	100,000.00	109,099.49
Illinois, Highway, Act of 1923, Dated 5/1/1927, 4%, 1950.	100,000.00	101,183.51

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Illinois, Highway, Act of 1923, Dated 10/1/1927, 4%, 1946.....	\$200,000.00	\$202,538.92
Illinois, Highway, Act of 1923, Dated 7/19/28, 4%, 1955 & 1957.....	30,000.00	30,656.14
Illinois, Highway, Act of 1923, Dated 9/1/1928, 4%, 1955.....	50,000.00	50,781.48
Illinois, Highway, Act of 1923, Dated 11/1/1928, 4%, 1954 & 1958.....	25,000.00	25,555.60
Illinois, Highway, Act of 1923, Dated 6/1/1929, 4%, 1946 & 1949.....	340,000.00	344,384.33
Illinois, State Highway, Dated 3/1/1923, 4%, 1940.....	100,000.00	102,281.17
Indianapolis, Ind., Sanitary Dist., 1st Issue 1923, 4½%, 1964-1968.....	45,000.00	50,612.56
Indianapolis, Ind., Sanitary Dist., 1st Issue 1925, 4½%, 1955-1977.....	230,000.00	252,901.33
Iron County, Wis., Highway Imp. County, Series A, 3%, 1940-1943.....	105,000.00	106,212.03
Irrington, N. J., School 4½%, 1943-1945.....	12,000.00	131,142.76
Irrington, N. J., Serial Funding 3½%, 1944-1949.....	130,000.00	134,080.32
Jackson, Miss., Ref. 3½%, 1941-1948.....	140,000.00	142,501.48
Jackson, Miss., Sewer, St. & Public Bldg. Ext. & Imp. 4½%, 1940-1950.....	116,000.00	124,160.61
Jackson, Miss., Water Works Imp. 4½%, 1940-1950.....	50,000.00	53,230.87
Jackson County, Mo., Kansas City Ct. House & Jail 5%, 1944-1951.....	418,000.00	449,663.95
Jackson County, Mo., Road & Bridge 4½%, 1940 & 1942.....	65,000.00	65,143.77
Jacksonville, Fla., Ref., 2nd Issue 1936, 2½%, 1946.....	200,000.00	201,399.72
Jacksonville, Fla., Ref., 2nd Issue 1936, 2½%, 1948.....	85,000.00	86,821.61
Jacksonville, Fla., Ref., 2nd Issue 1937, 2.70%, 1958.....	158,000.00	154,928.20
Jacksonville, Fla., Ref., 2nd Issue 1937, 3%, 1958.....	91,000.00	89,277.77
Jasper County, Ill., County Road 4½, 1939-1952.....	50,000.00	54,135.51
Jefferson County, Ala., Hillman Hospital Imp. 5%, 1959.....	15,000.00	18,339.00
Jefferson County, Ala., Ref., Road, Dated 4/1/1933, 6%, 1939-1963.....	15,000.00	15,000.00
Jefferson County, Ala., Ref., Road, Dated 4/1/1934, 6%, 1942-1959.....	20,000.00	20,000.00
Jefferson County, Ala., School Construction 5%, 1961.....	50,000.00	61,879.43
Jersey City, N. J., Gen. Imp. 4%, 1948-1959.....	35,000.00	35,474.09
Jersey City, N. J., Gen. Imp. 4½%, 1950-1956.....	60,000.00	61,869.17
Jersey City, N. J., Gen. Imp. Gold 4½%, 1955.....	50,000.00	51,466.49
Jersey City, N. J., Gen. Ref. 3½%, 1947-1950.....	400,000.00	400,000.00
Jersey City, N. J., Gen. Ref. 4%, 1944 & 1947.....	244,000.00	241,018.74
Jersey City, N. J., Gen. Ref. 4½%, 1940-1944.....	53,000.00	53,000.00
Jersey City, N. J., Gen. Ref. 5%, 1939-1942.....	30,000.00	30,290.69
Jersey City, N. J., Gen. Ref., Series A, 4½%, 1957 & 1958.....	125,000.00	129,116.40
Jersey City, N. J., Gen. Ref., Series B, 4½%, 1957 & 1958.....	100,000.00	103,292.06
Jersey City, N. J., City Hospital, Series C, 4%, 1948-1959.....	298,000.00	302,157.51
Jersey City, N. J., School 4½%, 1958.....	5,000.00	5,169.54
Jersey City, N. J., School Ref. 5%, 1939-1944.....	40,000.00	40,567.47
Jersey City, N. J., Serial Funding 4%, 1945.....	6,000.00	6,933.11
Jersey City, N. J., Water 4½%, 1956-1963.....	60,000.00	62,137.11
Jersey City, N. J., Water Gold 4½%, 6/1/1943.....	15,000.00	15,149.54
Jersey City, N. J., Water Gold 4½%, 10/1/1961.....	545,000.00	584,711.89
Kansas City, Mo., Fire Protection, 6th Issue, 4%, 1939-1954.....	35,000.00	35,521.25
Kansas City, Mo., Park & Blvd. Imp., 4th Issue 4%, 1939-1956.....	52,000.00	52,985.95
Kansas City, Mo., Public Hospital, 5th Issue, 4½%, 1940-1973.....	95,000.00	96,067.91
Kansas City, Mo., Water Works, 4th Issue, 4½%, 1942.....	650,000.00	702,606.69
Kansas City Mo., Water Works, 5th Issue, 4%, 1948-1958.....	205,000.00	206,953.53
Kearny, N. J., Gen. Funding 4½%, 1939-1952.....	240,000.00	249,987.22
Kearny, N. J., School 4%, 1942-1951.....	80,000.00	85,351.85
King County, Wash., County City Bldg. 4½%, 1949-1956.....	157,000.00	158,080.79
King County, Wash., Hospital 4½%, 1949 & 1950.....	136,000.00	136,820.07
Knox County, Tenn., Bridge 4½%, 1949.....	310,000.00	299,794.65
Knox County, Tenn., Pike & Bridge Imp. 5%, 1945.....	45,000.00	45,781.63
Knoxville, Tenn., Electric System Rev. Series A, 3½%, 1955-1958.....	980,000.00	960,306.07
Knoxville, Tenn., Electric System Rev. Series A, 3½%, 1944-1954.....	2,020,000.00	2,074,699.21
Knoxville, Tenn., Sewer & Bridge, 4½%, 1940-1949.....	184,000.00	185,546.49
Kossuth County, Iowa, Primary Road Ref. 3½%, 1947 & 1948.....	118,000.00	122,345.18
La Grange, Ill., Township High School Dist. No. 204 Ref. 3½%, 1941-1945.....	99,000.00	100,036.81
Lake County, Ill., Funding 4%, 1940-1954.....	168,000.00	181,099.81
Lake County, Ill., North Shore Sanitary Dist. 4½%, 1939-1954.....	253,000.00	266,826.41
Lake County, Ind., Calumet Township Redemption 5%, 1939-1945.....	91,700.00	95,859.99
Lake County, Ind., North Township Redemption 4½%, 1939-1945.....	16,800.00	17,299.32
Lake County, Ind., North Township Redemption 5%, 1939-1945.....	118,300.00	123,666.63
Lake County, Ind., Poor Relief 3%, 1939-1944.....	270,000.00	272,095.50
Lake County, Ohio, Ref. 5%, 1939-1942.....	3,500.00	3,500.00
Lake County, Ohio, Sewer Imp. 4½%, 1939-1948.....	38,500.00	38,831.31
Lakewood, Ohio, City School Dist. Bldg. 5%, 1939 & 1940.....	19,000.00	19,034.90
Larchmont, N. Y., Paving 4½%, 1943-1945.....	86,000.00	91,127.15
Larchmont, N. Y., Public Imp. 4½%, 1944 & 1945.....	10,000.00	10,633.11
Larchmont, N. Y., Water 4½%, 1944 & 1945.....	4,000.00	4,253.24
Leavenworth, Kans., School Bldg. 5%, 1939-1952.....	56,000.00	58,081.30
Logan County, W. Va., County Road 5%, 1941-1945.....	50,000.00	50,556.39
Long Beach, N. Y., Beach Imp. & Gen. Imp. Funding 5½%, 1949 & 1960.....	130,000.00	137,933.64
Los Angeles, Calif., Electric Plant, Election 1924, Class B, Series 1, 4½%, 1963.....	25,000.00	27,578.22
Los Angeles, Calif., Electric Plant, Election 1924, Class B, Series 2, 4½%, 1963.....	25,000.00	27,578.22
Los Angeles, Calif., Electric Plant, Election 1924, Class B, Series 2 (Reg.), 4½%, 1964.....	13,000.00	14,717.23
Los Angeles, Calif., Electric Plant, Election 1924, Class B, Series 3, 4½%, 1964.....	12,000.00	13,585.12

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Los Angeles, Calif., Electric Plant, Election 1924, Class C, Series 1, 4½%, 1961-1965.....	\$200,000.00	\$225,761.10
Los Angeles, Calif., Electric Plant, Election 1926, Class A, 4½%, 1953-1966.....	440,000.00	491,156.66
Los Angeles, Calif., Electric Plant, Election 1926, Class F, 4½%, 1962.....	40,000.00	43,997.01
Los Angeles, Calif., Electric Plant, Election 1926, Class F (Reg.), 4½%, 1960 & 1961.....	100,000.00	107,421.38
Los Angeles, Calif., Dept. of Water & Power, Electric Plant Revenue Ref., Issue 1935, 4%, 1950-1974.....	1,947,000.00	2,112,376.95
Los Angeles, Calif., Dept. of Water & Power, Electric Plant Revenue, Issue 1937, Series A, 3½%, 1957-1966.....	223,000.00	226,503.68
Los Angeles, Calif., Dept. of Water & Power, Electric Plant Revenue, 2nd Issue 1937, 3½%, 1962-1965.....	500,000.00	511,546.51
Los Angeles, Calif., Harbor Imp., Election 1923, Class A, 4½%, 1955.....	100,000.00	110,707.43
Los Angeles, Calif., Sewage Disposal, Election 1922, Class B, 5%, 1950-1962.....	250,000.00	281,435.47
Los Angeles, Calif., Water Works 4½%, 1942 & 1943.....	50,000.00	50,684.31
Los Angeles, Calif., Water Works, Election 1924, Class A, 4½%, 1954.....	75,000.00	89,565.48
Los Angeles, Calif., Water Works, Election 1924, Class C, 4½%, 1954.....	25,000.00	29,855.16
Los Angeles, Calif., Water Works, Election 1926, Class D, 4½%, 1960-1967.....	338,000.00	384,926.85
Los Angeles, Calif., Water Works, Election 1930, Class N, Series 1, 4%, 1942 & 1943.....	110,800.00	116,386.42
Los Angeles City High School Dist., Calif., 5%, 1951-1961.....	241,000.00	274,519.10
Los Angeles City High School Dist., Calif., Election 1931, 4½%, 1959.....	100,000.00	104,895.52
Los Angeles City High School Dist., Calif., Election 1935, 3½%, 1939-1944.....	321,000.00	329,382.67
Los Angeles City School Dist., Calif., 4%, 1939-1946.....	758,000.00	788,347.45
Los Angeles City School Dist., Calif., 4½%, 1940 & 1941.....	12,000.00	11,976.53
Los Angeles City School Dist., Calif., 5½%, 1941-1952.....	50,000.00	53,505.73
Los Angeles City School Dist., Calif., Election 1935, 3½%, 1942-1944.....	296,000.00	303,206.59
Los Angeles County Flood Control Dist., Calif., Election May 6, 1924, Series 2, 3½%, 1939-1954.....	1,068,000.00	1,043,155.02
Los Angeles County Flood Control Dist., Calif., Election May 6, 1924, Series 2, 5%, 1951-1964.....	1,491,000.00	1,700,196.62
Los Angeles County, Calif., Highway 4½%, 1939-1942.....	100,000.00	100,859.40
(Louisiana) Board of Administrators Charity Hospital of Louisiana at New Orleans 3½%, 1957-1965.....	135,000.00	130,805.59
(Louisiana) Board of Administrators Charity Hospital of Louisiana at New Orleans 4%, 1950-1956.....	170,000.00	171,918.22
Louisiana, Highway, Series D, 4½%, 1955.....	155,000.00	170,515.95
Louisiana, Highway, Series E, 4½%, 1955.....	80,000.00	87,792.69
Louisiana, Highway, Series F, 5%, 1954 & 1955.....	55,000.00	62,767.64
Louisiana, Highway, Series G, 5%, 1941-1956.....	1,602,000.00	1,740,932.11
Louisiana, Highway, Series L, 5%, 1950-1955.....	875,000.00	900,189.34
Louisiana, Highway, Series M, 4½%, 1955.....	40,000.00	44,004.12
Madison County, Ill., School Dist. No. 127 Working Cash Fund 3½%, 1952-1956.....	48,000.00	51,588.79
Madison, Wis., Metropolitan Sewerage Dist. 4%, 1940-1950.....	435,000.00	443,569.02
Maricopa County, Ariz., Highway 5½%, 1939-1949.....	195,000.00	189,561.68
Marion, Ind., Sewage Works (Rev.) 3½%, 1941-1968.....	180,000.00	187,794.60
Marlboro County, S. C., Highway 3½%, 1946-1955.....	379,000.00	375,793.05
Maryland, State Roads Commission of, Bridge Rev., Series A., 3½%, 1968.....	700,000.00	698,993.30
Maryland, State Roads Commission of, Ref. 3%, 1949-1951.....	951,000.00	951,000.00
Maryland-National Capital (D. C.) Park & Planning Commission, Series G, 5%, 1939 & 1940 (Int. & Prin. Gtd. by Montgomery County, Md.).....	20,000.00	20,155.56
Mattoon, Ill., Judgment Funding 3½%, 1940-1957.....	78,000.00	82,118.27
Mattoon, Ill., Water Revenue 4%, 1948-1964.....	70,000.00	76,648.91
McCracken County, Ky., Road 4½%, 1939-1957.....	160,000.00	161,430.05
McMinn County, Tenn., Road 5%, 1941.....	155,000.00	156,538.68
Mecklenburg County, N. C., Court House & Jail 4½%, 1957-1959.....	142,000.00	146,183.95
Mecklenburg County, N. C., Ref. 6%, 1950.....	50,000.00	62,300.87
Mecklenburg County, N. C., School 4%, 1945-1959.....	250,000.00	264,100.09
Mecklenburg County, N. C., School Bldg. 2½%, 1955-1960.....	74,000.00	88,816.31
Mecklenburg County, Va., Road 5%, 1939-1946.....	8,000.00	8,070.03
Memphis, Tenn., Board of Education of the Memphis City Schools 4½%, Sept. 1, 1950-1964.....	149,000.00	176,371.67
Memphis, Tenn., Board of Education of the Memphis City Schools 4½%, June 1, 1953 & 1954.....	50,000.00	49,785.04
Memphis, Tenn., City Hospital 4%, 1945-1964.....	48,000.00	48,228.46
Memphis, Tenn., Electric Plant 3½%, 1944-1963.....	461,000.00	486,565.89
Memphis, Tenn., Improvement 4½%, 1948-1952.....	79,000.00	81,535.88
Memphis, Tenn., Improvement 4½%, 1945.....	100,000.00	102,113.64
Memphis, Tenn., Juvenile Court Bldg. 4%, 1945-1964.....	65,000.00	65,379.47
Memphis, Tenn., Park and Parkway 4½%, 1959.....	133,000.00	144,752.03
Memphis, Tenn., Water Department, Series B, 4½%, 1941-1948.....	100,000.00	102,766.08
Memphis, Tenn., Water Department 5%, 1953-1959.....	115,000.00	127,219.15

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Metropolitan Water Dist. of Southern Calif., Colorado River Water-works Ref. 4%, 1951-1973.....	\$3,225,000.00	\$3,541,122.11
Miami, Fla., Water Revenue Cfts. 4%, 1929-1943.....	233,000.00	236,101.95
Miami, Fla., Water Revenue Cfts., Series B, 4%, 1939-1954.....	210,000.00	213,838.04
Michigan, The State Board of Agriculture, Michigan State College of Agriculture & Applied Science, Auditorium 3½%, 1939-1958.....	425,000.00	430,483.87
Michigan, The State Board of Agriculture, Michigan State College of Agriculture & Applied Science, Gymnasium & Field House 3½%, 1940-1957.....	400,000.00	408,457.14
Michigan, State Board of Education, (Michigan State Normal College, Ypsilanti, Mich.) Dormitory & Union Rev. Series I, 4%, 1939-1958.....	293,000.00	298,791.13
Michigan, University of, Dormitory Rev. 3½%, 1958-1968.....	600,000.00	607,432.26
Michigan, University of, Dormitory Rev. Series II, 3½%, 1953-1968.....	500,000.00	508,333.33
Michigan, University of, Health Service 3½%, 1940-1968.....	225,000.00	229,500.00
Middletown, Ohio, City School Dist. School 5½%, 1943-1952.....	180,000.00	184,913.65
Milwaukee County, Wis., Metropolitan Sewerage 5%, 1939-1942.....	435,000.00	441,958.09
Milwaukee County, Wis., Metropolitan Sewerage 4½%, 6/1/1941.....	20,000.00	19,869.60
Milwaukee County, Wis., Metropolitan Sewerage 4½%, 4/1/1939-1942.....	23,000.00	22,851.86
Milwaukee County, Wis., Metropolitan Sewerage 4½%, 1949-1951.....	91,000.00	95,168.27
Milwaukee County, Wis., Metropolitan Sewerage 4%, 1945-1951.....	97,000.00	100,537.10
Milwaukee, Wis., Electric Lighting 5%, 1940-1944.....	19,000.00	19,292.52
Milwaukee, Wis., Grade Crossing Abolition 5%, 1940-1945.....	86,000.00	87,084.22
Milwaukee, Wis., Park 5%, 1940-1942.....	90,000.00	90,962.62
Milwaukee, Wis., Park 6%, 1939.....	10,000.00	10,083.19
Milwaukee, Wis., Perm. Harbor Imp. 5%, 1940-1943.....	161,000.00	162,804.19
Milwaukee, Wis., Sewer 5%, 1940-1942.....	300,000.00	303,208.72
Milwaukee, Wis., Sewer 6%, 1939.....	15,000.00	15,124.82
Milwaukee, Wis., Street Opening 6%, 1939-1941.....	30,000.00	30,735.24
Minneapolis, Minn., Main Line Sewer 5%, 1949.....	50,000.00	54,821.60
Minneapolis, Minn., Perm. Imp. (Work Relief) 4½%, 1939-1945.....	100,000.00	100,574.25
Minneapolis, Minn., Public Relief 2%, 1939 & 1940.....	100,000.00	100,410.00
Minneapolis, Minn., Public Relief 5%, 1939-1942.....	199,000.00	201,959.32
Mississippi, Gold 5½%, 1941-1952.....	50,000.00	57,125.13
Mississippi, Highway, 1st Series 3½%, 1947-1949.....	152,000.00	154,694.98
Mississippi, Highway, 1st Series 3½%, 1949-1958.....	1,484,000.00	1,527,808.24
Mississippi, Permanent Imp., Class A, 4½%, 1953.....	91,000.00	102,718.44
Mississippi, Permanent Imp., Class B, 4½%, 1953.....	128,000.00	145,271.13
Mississippi, Permanent Imp., Class C, 4½%, 1953.....	116,000.00	130,937.81
Mississippi, Permanent Imp., Class D, 4½%, 1953.....	138,000.00	155,308.47
Mississippi, Ref. 4½%, 1945-1949.....	427,000.00	470,767.96
Mississippi, Ref. Class A, 4½%, 1948.....	150,000.00	166,903.06
Mississippi, State University Permanent Imp., Class A, 4½%, 1948.....	50,000.00	55,722.20
Mobile County, Ala., Ref. Road & Bridge 4½%, 1944.....	10,000.00	10,000.00
Mobile County, Ala., Road & Bridge 4½%, 1939-1958.....	508,000.00	509,367.80
Mobile County, Ala., Road & Bridge 4½%, 1947-1958.....	194,000.00	209,675.07
Monroe County, N. Y., County Bldgs. 3.90%, 1959.....	100,000.00	93,124.89
Monroe County, N. Y., Emergency 5½%, 1941.....	40,000.00	41,715.14
Monroe County, N. Y., Gen. Series A—Gen. Series B—Tax Revenue, Series D, 4½%, 1939-1942.....	343,000.00	343,798.61
Monroe County, N. Y., General Series A, 2%, 1939.....	35,000.00	35,026.69
Monroe County, N. Y., Sanatorium 4%, 1947 & 1948.....	40,000.00	40,922.70
Monroe County, Tenn., Road of 1916, 5%, 1946.....	35,000.00	36,086.15
Monroe County, Tenn., Road of 1917, 5%, 1942-1952.....	175,000.00	175,000.00
Montclair, N. J., Permanent Imp., Series 1, 4%, 1950-1964.....	123,000.00	125,561.58
Montclair, N. J., Serial Water, Series 1924, 4½%, 1950 & 1960.....	50,000.00	55,131.13
Montclair, N. J., Serial Water, Series 1, 4%, 1948-1968.....	111,000.00	113,400.07
Montgomery County, Md., Court House 4½%, 1959-1961.....	15,000.00	17,527.50
Montgomery County, Md., Jail 4½%, 1957-1966.....	50,000.00	58,670.96
Montgomery County, Md., Road of 1929, First Series, 4½%, 1958-1961.....	56,000.00	65,157.46
Montgomery County, Tenn., Highway of 1915, 5%, 1945, Part Opt. 1940.....	19,000.00	19,277.82
Montgomery County, Tenn., Highway of 1916, 5%, 1946, Part Opt. 1941.....	25,000.00	25,666.54
Morris, Ill., Funding 3½%, 1948-1957.....	69,000.00	74,068.47
Morris County, N. J., Gen. Imp. 3%, 1939 & 1940.....	70,000.00	71,029.97
Morristown, N. J., Water 4%, 1946-1949.....	50,000.00	52,279.89
Morristown, N. J., Water of 1931, 4%, 1956-1966.....	147,000.00	156,109.34
Mount Vernon, Ill., Funding 3½%, 1942-1956.....	148,000.00	159,795.39
Mount Vernon, N. Y., Highway Repaving 5%, 1940-1942.....	42,000.00	43,724.78
Mount Vernon, N. Y., Mun. Bldg. 5%, 1940 & 1941.....	6,000.00	6,206.57
Mount Vernon, N. Y., Park 5%, 1941.....	3,000.00	3,110.20
Mount Vernon, N. Y., School Loan 4½%, 1947 & 1948.....	50,000.00	52,249.30
Mount Vernon, N. Y., School Loan (Reg.) 4½%, 1957-1959.....	60,000.00	70,976.11
Mount Vernon, N. Y., School Loan 4½%, 1949-1952.....	45,000.00	49,193.66
Mount Vernon, N. Y., School Loan (Reg.) 4½%, 1945-1948.....	200,000.00	210,018.76
Mount Vernon, N. Y., 3rd St. Widening, 5%, 1940 & 1941.....	14,000.00	14,472.80
Mount Vernon, N. Y., Water 4%, 1947.....	50,000.00	51,900.63
Mount Vernon, N. Y., Work & Home Relief 5%, 1940.....	25,000.00	25,867.66
Multnomah County, Ore., Permanent Roads, Series A, 4½%, 1954 & 1955.....	24,000.00	24,220.02
Multnomah County, Ore., Permanent Roads, Series C, 4½%, 1950-1953.....	40,000.00	41,197.00
Multnomah County, Ore., Burnside St. Bridge, Series C, 4%, 1949.....	10,000.00	9,874.19

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Multnomah County, Ore., Hawthorne Bridge 4½%, 1952 & 1953	\$7,000.00	\$7,058.99
Multnomah County, Ore., Interstate Bridge 5%, 1939	4,000.00	4,009.16
Multnomah County, Ore., Road, Series C, 5%, 1946 & 1947	19,000.00	19,916.77
Multnomah County, Ore., Road, Series D, 5%, 1945-1947	36,000.00	37,715.82
Multnomah County, Ore., St. John's Bridge, Series C, 4½%, 1950	10,000.00	10,485.28
Multnomah County, Ore., St. John's Bridge, Series D, 4½%, 1954-1957	54,000.00	62,513.23
Multnomah County, Ore., St. John's Bridge, Series E, 4½%, 1951	4,000.00	4,031.78
Nashville, Tenn., Fire Hall Imp., 3½%, 1948-1958	31,000.00	31,000.00
Nashville, Tenn., Sanitary Sewer, Series A, 4½%, 1953-1963	100,000.00	108,860.97
Nashville, Tenn., School Bldg. & Imp. 3½%, 1948-1959	230,000.00	230,000.00
Nashville, Tenn., Sewer Ext. 3½%, 1948-1956	76,000.00	76,000.00
Nashville, Tenn., Waterworks Ext. 3½%, 1948-1959	50,000.00	50,000.00
Newark, N. J., City Bldg. 6%, 1957 & 1958	50,000.00	61,195.20
Newark, N. J., City Railway Construction 4%, 1939 & 1940	72,000.00	72,653.46
Newark, N. J., Haynes Ave. Bridge 6%, 1957	15,000.00	18,299.32
Newark, N. J., Land Purchase 4%, 1939 & 1940	60,000.00	60,573.93
Newark, N. J., Port Newark Imp. 4%, 1939 & 1940	20,000.00	20,191.32
Newark, N. J., Port Newark Imp. 4½%, 1944-1950	160,000.00	171,648.95
Newark, N. J., Port Newark Imp. 6%, 1954-1959	36,000.00	43,985.24
Newark, N. J., Public Imp. 4½%, 1944-1950	85,000.00	90,787.48
Newark, N. J., Public Imp. 6%, 1954-1959	85,000.00	103,284.99
Newark, N. J., School 4%, 1958 Opt. 1948	200,000.00	209,041.27
Newark, N. J., School 4%, 1939 & 1940	75,000.00	75,691.56
Newark, N. J., Serial Funding 4½%, 1942 & 1945	204,000.00	213,516.47
Newark, N. J., Serial Funding 3½%, 1946-1948	500,000.00	491,710.35
Newark, N. J., Sewer 6%, 1954 & 1958	12,000.00	14,666.86
Newark, N. J., St. & Sewer 4%, 1939 & 1940	100,000.00	100,956.56
Newark, N. J., St. & Sewer 4½%, 1944-1950	184,000.00	197,278.02
Newark, N. J., Water 4%, 1939	20,000.00	20,094.48
Newark, N. J., Water 4½%, 1948-1950	60,000.00	64,203.79
New Bedford, Mass., Mun. Relief Loan, Act 1935, 3%, 1943 & 1944	55,000.00	55,379.48
New Bedford, Mass., School Loan 4%, 1940-1942	37,000.00	38,402.98
New Bedford, Mass., Sewer Loan 4%, 1944-1947	28,000.00	30,071.99
New Bedford, Mass., Water Loan 4%, 1940-1942	48,000.00	49,537.51
New Bedford, Mass., Water Supply Loan 4%, 1945-1947	6,000.00	6,471.14
New Brunswick, N. J., Serial Funding 4%, 1943-1949	250,000.00	248,838.12
New Jersey, Emergency Relief, Series A, 2½%, 1939	250,000.00	250,000.00
New Jersey, Highway Ext. Fund, Series B, Act of 1924, 4½%, 1955 Opt. 1940	300,000.00	309,250.42
New Jersey, Highway Ext. Fund, Series E, Act of 1920, 4½%, 1954 Opt. 1939	100,000.00	100,098.02
New Jersey, State Highway Imp., Series B, Act of 1930, 4½%, 1954 & 1966	80,000.00	85,131.82
New Jersey, State Institutional Construction, Series B, Act of 1930, 4½%, 1955	19,000.00	20,092.24
New Mexico, Ref., Series A, 3.60%, 1939-1942	16,000.00	16,346.15
New Mexico, Ref., Series B, 3.60%, 1939-1942	116,000.00	117,616.31
New Mexico, Ref., Series C, 3.60%, 1941 & 1942	10,000.00	10,242.67
New Mexico, State Highway, Series G-80 & G-81, 3½%, 1949	225,000.00	237,845.84
New Mexico, State Highway, Series G-81 to G-85, 3%, 1949-1951	775,000.00	774,437.50
New Mexico, State Highway, Series G-91, 3%, 1950	175,000.00	175,000.00
New Orleans, La., Public Imp., Issue 1960, 4%, 1950 Opt. 1942	76,000.00	77,417.32
New Orleans, La., Sewerage, Water & Drainage Serial Gold, Series A, 4½%, 1961-1978	238,000.00	271,432.36
New Orleans, La., Sewerage, Water & Drainage Serial Gold, Series B, 4½%, 1950-1978	162,000.00	186,939.88
New Orleans, La., Sewerage, Water & Drainage Serial Gold, Series B (Reg.), 4½%, 1946-1977	139,000.00	139,000.00
New Orleans, La., Sewerage, Water & Drainage Serial Gold, Series C, 4½%, 1952-1979	355,000.00	389,920.95
New Orleans, La., Sewerage, Water & Drainage Serial, Series D, 4%, 1944-1950	410,000.00	428,100.66
New Orleans, La., Serial Gold, Series 1917, 4½%, 1949-1966	136,000.00	159,204.84
New Orleans, La., Serial Gold, Series 1917 (Reg.), 4½%, 1952-1966	264,000.00	283,330.49
New Orleans, La., Serial Gold, Series 1927, 4½%, 1951-1973	355,000.00	380,403.32
New Orleans, La., Serial Gold, Series 1930, 4½%, 1947-1975	321,000.00	365,233.07
Newport News, Va., Water Works 4½%, 1947-1965	180,000.00	197,098.16
New Rochelle, N. Y., Real Property & Mun. Bldgs. 4%, 1948-1958	35,000.00	36,579.33
New Rochelle, N. Y., Real Property & Mun. Bldgs. (Reg.) 4%, 1950-1952	41,000.00	40,021.29
New Rochelle, N. Y., Real Property 4½%, 1962-1964	58,000.00	67,504.99
New Rochelle, N. Y., Real Property 5½%, 1946-1948	24,000.00	27,508.05
New Rochelle, N. Y., Real Property 5½%, 1951-1958	68,000.00	86,158.85
New Rochelle, N. Y., Real Property (Reg.) 5½%, 1956-1966	75,000.00	100,437.05
New Rochelle, N. Y., School 4%, 1946-1958	121,000.00	126,263.92
New Rochelle, N. Y., School (Reg.) 4%, 1950-1952	54,000.00	53,895.51
New Rochelle, N. Y., School 4½%, 1961-1964	52,000.00	60,407.33
New Rochelle, N. Y., School 5½%, 1946-1943	36,000.00	41,414.88
New Rochelle, N. Y., School 5½%, 1957	3,000.00	3,829.26
New Rochelle, N. Y., School (Reg.) 5½%, 1956	3,000.00	3,833.49
New Rochelle, N. Y., Sewage Disposal 4%, 1949	1,000.00	1,041.29

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
New Rochelle, N. Y., Sewage Disposal (Reg.) 4%, 1951.....	\$1,000.00	\$998.07
New Rochelle, N. Y., Sewer 4%, 1949 & 1957.....	8,000.00	8,359.42
New Rochelle, N. Y., Sewer (Reg.) 4%, 1951.....	4,000.00	3,992.27
New Rochelle, N. Y., Sewer 5½%, 1957.....	2,000.00	2,522.85
New Rochelle, N. Y., Sewer (Reg.), 5¼%, 1956.....	2,000.00	2,555.67
New Trier Township High School Dist. No. 203, Cook County, Ill., 4¼%, 1939-1943.....	205,000.00	205,000.00
New Trier Township High School Dist. No. 203, Cook County, Ill., Funding 4¼%, 1944-1954.....	55,000.00	56,412.75
New York City, N. Y., Corporate Stock, Issue of 11/23/1904, 3¼%, 1954.....	214,000.00	219,245.11
New York City, N. Y., Corporate Stock, Issue of 4/24/1905, 3½%, 1954.....	241,000.00	243,047.73
New York City, N. Y., Corporate Stock, Issue of 11/23/1905, 3½%, 1955.....	40,000.00	42,139.87
New York City, N. Y., Corporate Stock, Issue 1906, 4%, 1956.....	353,000.00	424,390.61
New York City, N. Y., Corporate Stock, Issue of 2/15/1906, 4%, 1955.....	161,000.00	175,466.25
New York City, N. Y., Corporate Stock, Issue of 1906/1907, 4%, 1956.....	180,000.00	194,603.97
New York City, N. Y., Corporate Stock, Issue of 8/12/1907, 4%, 1957.....	106,000.00	117,768.03
New York City, N. Y., Corporate Stock, Issue of 9/10/1907, 4¼%, 1957.....	581,000.00	678,615.13
New York City, N. Y., Corporate Stock, Issue of 9/10/1907 (Reg.) 4¼%, 1957.....	410,000.00	480,055.62
New York City, N. Y., Corporate Stock, Issue of 2/14/1908, 4¼%, 1957.....	1,183,000.00	1,334,307.70
New York City, N. Y., Corporate Stock, Issue of 2/14/1908 (Reg.) 4¼%, 1957.....	838,000.00	942,951.18
New York City, N. Y., Corporate Stock, Issue of 11/23/1908, 4%, 1958.....	13,000.00	14,437.31
New York City, N. Y., Corporate Stock, Issue of 3/2/1908, 4%, 1958.....	4,000.00	4,344.18
New York City, N. Y., Corporate Stock, Issue of 6/8/1909, 4%, 1959.....	159,000.00	178,667.92
New York City, N. Y., Corporate Stock, Issue of 12/10/1909, 4%, 1959.....	28,000.00	31,553.53
New York City, N. Y., Corporate Stock, Issue of 1/24/1911, 4¼%, 1960.....	510,000.00	585,431.25
New York City, N. Y., Corporate Stock, Issue of 5/7/1912, 4¼%, 1962.....	240,000.00	274,612.43
New York City, N. Y., Corporate Stock, Issue of 5/20/1913, 4¼%, 1963.....	304,000.00	364,991.30
New York City, N. Y., Corporate Stock, Issue of 4/15/1914, 4¼%, 1964.....	345,000.00	395,598.83
New York City, N. Y., Corporate Stock, Issue of 4/19/1916, 4¼%, 1966.....	13,000.00	15,156.93
New York City, N. Y., Corporate Stock, Issue of 7/12/1917, 4¼%, 1967.....	14,000.00	17,784.46
New York City, N. Y., Corporate Stock, for Armories & Sites Thereof, Dated 5/4/1904, 3¼%, 1954.....	7,000.00	7,365.91
New York City, N. Y., Corporate Stock, As-segments Upon Mayor, Alderman & Commonality, Dated 5/4/1904, 3¼%, 1954.....	1,000.00	1,052.27
New York City, N. Y., Corporate Stock, for Interior Public Baths, Dated 5/4/1904, 3¼%, 1954.....	3,000.00	3,156.82
New York City, N. Y., Corporate Stock, For the Approach to Harlem River Bridge, Dated 5/4/1904, 3¼%, 1954.....	1,000.00	1,052.27
New York City, N. Y., Corporate Stock, For Bridge Over East River, Dated 5/4/1904, 3¼%, 1954.....	5,000.00	5,261.37
New York City, N. Y., Corporate Stock, For the New East River Bridge, Dated 5/4/1904, 3¼%, 1954.....	3,000.00	3,156.82
New York City, N. Y., Corporate Stock, For Uses & Purposes of Dept. of Docks & Ferries, Issue of 1902-1903, 3¼%, 1952.....	50,000.00	52,235.92
New York City, N. Y., Corporate Stock, For Uses & Purposes of Dept. of Docks & Ferries, Dated 5/4/1904, 3¼%, 1954.....	3,000.00	3,156.82
New York City, N. Y., Corporate Stock, For Dock Purposes, Issue of 6/29/1915, 4½%, 1965.....	1,000.00	1,220.49
New York City, N. Y., Corporate Stock, For Dock Purposes, Issue of 4/19/1916, 4¼%, 1966.....	19,000.00	22,341.38
New York City, N. Y., Corporate Stock, For Dock Purposes, Issue of 7/12/1917, 4¼%, 1967.....	57,000.00	72,408.17
New York City, N. Y., Corporate Stock, For New Fordham Hospital, Dated 5/4/1904, 3¼%, 1954.....	1,000.00	1,052.27
New York City, N. Y., Corporate Stock, For the New Harlem Hospital, Dated 5/4/1904, 3¼%, 1954.....	1,000.00	1,052.27
New York City, N. Y., Corporate Stock, For a Bldg. in Bryant Park for the N. Y. Public Library, Issue of 6/28/1907, 4%, 1957.....	25,000.00	27,501.59
New York City, N. Y., Corporate Stock, For a Bldg. in Bryant Park for the N. Y. Public Library, Issue of 2/14/1908, 4¼%, 1957.....	21,000.00	23,824.83
New York City, N. Y., Corporate Stock, For a Bldg. in Bryant Park for the N. Y. Public Library, Issue of 2/14/1908 (Reg.) 4¼%, 1957.....	63,000.00	70,918.32
New York City, N. Y., Corporate Stock, For a Bldg. in Bryant Park for the N. Y. Public Library, Issue of 6/8/1909, 4%, 1959.....	10,000.00	11,109.58
New York City, N. Y., Corporate Stock, For Various Mun. Purposes, to Provide for Dock Imp., Issue of 7/1/1925, 4%, 1940.....	155,000.00	157,713.66
New York City, N. Y., Corporate Stock, For Various Mun. Purposes, Issue of 2/15/1926, 4%, 1941.....	295,000.00	301,027.56
New York City, N. Y., Corporate Stock, For Various Mun. Purposes, Issue of 1/1/1927, 4¼%, 1967.....	400,000.00	461,093.10
New York City, N. Y., Corporate Stock, For Various Mun. Purposes, Issue of 3/1/1935, 3¼%, 1960.....	435,000.00	484,117.11
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 1901, 3¼%, 1948.....	500,000.00	521,151.44
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Dated 5/4/1904, 3¼%, 1954.....	13,000.00	13,679.54
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 11/23/1904, 3¼%, 1954.....	14,000.00	14,273.70

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 4/24/1905, 3½%, 1954.....	\$52,000.00	\$54,387.63
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 8/12/1907, 4%, 1957.....	7,000.00	7,751.56
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 9/10/1907, 4½%, 1957.....	70,000.00	81,925.00
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 9/10/1907 (Reg.) 4½%, 1957.....	9,000.00	10,531.01
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 2/14/1908, 4½%, 1957.....	199,000.00	230,674.42
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 2/14/1908 (Reg.) 4½%, 1957.....	122,000.00	133,755.81
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 11/23/1908, 4%, 1958.....	4,000.00	4,344.18
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 3/2/1909, 4%, 1958.....	8,000.00	8,688.37
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 6/8/1909, 4%, 1959.....	9,000.00	9,885.58
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 1/24/1911, 4½%, 1960.....	427,000.00	485,866.27
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 5/7/1912, 4½%, 1962.....	709,000.00	816,232.06
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 1/4/15/1914, 4½%, 1964.....	250,000.00	283,914.92
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 6/29/1915, 4½%, 1965.....	378,000.00	459,825.25
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 4/19/1916, 4½%, 1966.....	533,000.00	618,282.23
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 7/12/1917, 4½%, 1967.....	527,000.00	659,029.58
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 5/1/1927, 4%, 1977.....	4,386,000.00	4,535,206.45
New York City, N. Y., Corporate Stock, For Rapid Transit Railroads, Issue of 3/1/1935, 3½%, 1960.....	33,000.00	35,463.92
New York City, N. Y., Corporate Stock, For School Houses & Sites Therefor, Dated 5/4/1904, 3½%, 1954.....	9,000.00	9,470.46
New York City, N. Y., Corporate Stock, For Repaving of Streets, Dated 5/4/1904, 3½%, 1954.....	3,000.00	3,156.82
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 11/23/1904, 3½%, 1954.....	41,000.00	43,039.73
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 4/24/1905, 3½%, 1954.....	31,000.00	32,581.96
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 1906, 4%, 1956.....	30,000.00	32,434.00
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 1906/1907, 4%, 1956.....	20,000.00	22,161.37
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 6/28/1907, 4%, 1957.....	5,000.00	5,500.32
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 8/12/1907, 4%, 1957.....	25,000.00	27,660.84
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 9/10/1907, 4½%, 1957.....	151,000.00	176,245.42
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 9/10/1907 (Reg.), 4½%, 1957.....	82,000.00	95,949.28
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 2/14/1908, 4½%, 1957.....	46,000.00	53,703.26
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 2/14/1908 (Reg.), 4½%, 1957.....	241,000.00	258,755.83
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 11/23/1908, 4%, 1958.....	9,000.00	9,897.76
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 3/2/1909, 4%, 1958.....	16,000.00	17,744.16
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 6/8/1909, 4%, 1959.....	122,000.00	135,923.24
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 12/10/1909, 4%, 1959.....	215,000.00	239,878.34
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 1/24/1911, 4½%, 1960.....	220,000.00	252,168.94
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 5/7/1912, 4½%, 1962.....	324,000.00	372,432.30
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 5/20/1913, 4½%, 1963.....	186,000.00	221,242.26
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 4/15/1914, 4½%, 1964.....	355,000.00	412,352.11
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 6/29/1915, 4½%, 1965.....	202,000.00	246,132.56
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 4/19/1916, 4½%, 1966.....	110,000.00	128,468.68

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 7/12/1917, 4½%, 1967.....	\$77,000.00	\$97,814.62
New York City, N. Y., Corporate Stock, To Provide for Supply of Water, Issue of 3/1/1935, 3¼%, 1960.....	32,000.00	35,831.58
New York City, N. Y., Serial, To Provide for Dock Imp., Issue of 12/15/1934, 4%, 1945.....	19,000.00	19,582.18
New York City, N. Y., Serial, To Provide for Dock Imp., Issue of 7/1/1935, 4%, 1944-1962.....	572,000.00	603,738.71
New York City, N. Y., Serial, Hospitals—Various Hospitals, Fire Prevention, 4%, 1952-1961.....	150,000.00	163,874.60
New York City, N. Y., Serial, For Various Mun. Purposes, Issue of 12/1/1929, 4½%, 1955.....	40,000.00	46,637.90
New York City, N. Y., Serial, For Various Mun. Purposes, Issue of 12/15/1934, 4%, 1945-1956.....	191,000.00	203,857.05
New York City, N. Y., Serial, For Various Mun. Purposes, Issue of 12/15/1934, 3¾%, 1955.....	50,000.00	53,239.59
New York City, N. Y., Serial, For Various Mun. Purposes, Issue of 7/1/1935, 4%, 1943-1958.....	473,000.00	495,732.61
New York City, N. Y., Serial, For Various Mun. Purposes, Issue of 7/1/1935, 4¼%, 1943-1945.....	130,000.00	140,402.49
New York City, N. Y., Serial, Rapid Transit Subway, 4%, 1942-1959.....	2,650,000.00	2,815,779.08
New York City, N. Y., Serial, For Rapid Transit Railroads, Issue of 12/15/1934, 4%, 1945-1956.....	154,000.00	164,509.09
New York City, N. Y., Serial, For Schools, Issue of 5/1/1925, 4¼%, 1945 & 1956.....	153,000.00	163,973.63
New York City, N. Y., Serial, For Schools, Issue of 11/15/1928, 4¼%, 1954 & 1957.....	35,000.00	39,466.41
New York City, N. Y., Serial, For Schools, Issue of 12/1/1929, 4½%, 1955 & 1956.....	110,000.00	127,896.85
New York City, N. Y., Serial, For Schools, Issue of 12/15/1934, 4%, 1954.....	55,000.00	58,340.70
New York City, N. Y., Serial, For Schools, Issue of 7/1/1935, 4¼%, 1944-1955.....	467,000.00	495,330.36
New York City, N. Y., Serial, For Tri-Borough Bridge, Issue of 12/15/1934, 4%, 1945 & 1954.....	76,000.00	79,863.79
New York City, N. Y., Serial, To Provide for Supply of Water, Issue of 12/15/1934, 4%, 1945.....	100,000.00	103,064.15
New York City, N. Y., Serial, Water Tunnel No. 2 Connections 4%, 1952-1962.....	232,000.00	308,198.30
New York City, N. Y., Serial, Water Works Imp., 4%, 1954-1962.....	109,000.00	119,039.11
New York City Parkway Authority, N. Y., Serial Rev., 3½%, 1951-1953.....	500,000.00	516,762.73
New York City Parkway Authority, N. Y., Sinking Fund Rev. 3½%, 1968.....	500,000.00	500,000.00
Niagara Falls, N. Y., School Dist. 3.90%, 1960.....	150,000.00	154,433.01
Niagara Falls, N. Y., School Dist. 4¼%, 1954-1958.....	91,000.00	94,710.00
Niagara Falls, N. Y., School, Series G, 3.95%, 1966.....	20,000.00	20,512.58
Niagara Falls, N. Y., Sewer, Series C, 3.95%, 1966.....	20,000.00	20,512.58
Niagara Falls, N. Y., Sewer, Series C, 4.15%, 1965-1969.....	185,000.00	196,705.94
Norfolk, Va., Gen. Imp. 3%, 1948-1954.....	219,000.00	219,000.00
Norfolk, Va., Mun. Port Terminal 5%, 1952.....	398,000.00	481,208.13
Norfolk, Va., Water, Series F, 5%, 1952.....	50,000.00	60,315.34
North Chicago, Ill. Judgment Funding 4½%, 1944-1957.....	144,000.00	159,892.11
North Carolina, Permanent Imp. 2½%, 1946 & 1948.....	1,410,000.00	1,385,083.07
North Elba, N. Y. Central School Dist. No. 2, 4%, 1940-1962.....	140,000.00	147,578.55
North Milwaukee & Granville, Wis. Joint School Dist. No. 17, 4½%, 1943.....	105,000.00	106,298.30
Ogden City, Utah, Board of Education of City School Dist. School Bldg. 2½%, 1939-1941.....	174,000.00	175,445.76
Ogden City, Utah, Ref. Waterworks 4½%, 1948.....	225,000.00	232,573.06
Oklahoma City, Okla., Park 4%, 1949-1955.....	176,000.00	177,638.13
Oklahoma City, Okla., Storm Sewer Ext. 4%, 1951 & 1952.....	158,000.00	159,390.71
Oklahoma City, Okla., Board of Education, School Bldg. 5%, 1940-1948.....	148,000.00	153,473.45
Oregon, State Highway, Series 2, 5½%, 1939-1945.....	450,000.00	452,461.07
Oregon, State Highway, Series 3, 4¼%, 1948-1955.....	69,000.00	72,282.89
Orleans Levee Dist., La., Reparations Ref., 4%, 1942-1949.....	207,000.00	214,579.61
Orleans Parish School Board, La., School, 5%, 1961 & 1962.....	100,000.00	115,147.67
Orleans Parish School Board, La., School, 4%, 1941-1960.....	722,000.00	787,959.08
Passaic, N. J., Serial Funding 4¼%, 1948-1951.....	150,000.00	153,200.69
Passaic, N. J., Water 4¼%, 1959-1968.....	500,000.00	519,947.22
Paterson, N. J., Serial Funding 4½%, 1939-1949.....	309,000.00	316,715.86
Paterson, N. J., Water System 4¼%, 1951-1953.....	500,000.00	492,534.42
Pawtucket, R. I., City Hall 4%, 1940 & 1941.....	24,000.00	24,063.51
Pawtucket, R. I., Fairlawn Sewer 4%, 1940-1955.....	16,000.00	16,150.37
Pawtucket, R. I., Funding 5½%, 1939-1941.....	33,000.00	33,434.84
Pawtucket, R. I., Highway 5%, 1943 & 1951.....	22,000.00	23,075.62
Pawtucket, R. I., Ref. 3¼%, 1947-1953.....	347,000.00	350,970.31
Pawtucket, R. I., School 5%, 1951-1956.....	11,000.00	11,784.62
Pawtucket, R. I., Schoolhouse 4¼%, 8/1/1950-1960.....	55,000.00	56,641.04
Pawtucket, R. I., Schoolhouse 4¼%, 9/1/1950.....	10,000.00	10,231.24
Pawtucket, R. I., Sewer 4%, 1948.....	25,000.00	25,196.90
Pawtucket, R. I., Sewer 4¼%, 1950-1960.....	55,000.00	56,641.04
Pawtucket, R. I., Sewer 5%, 1943-1956.....	47,000.00	49,791.03

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Pawtucket, R. I., Sidewalk 5%, 1943.....	\$2,000.00	\$2,055.67
Pawtucket, R. I., Street Imp. 4%, 1940-1951.....	10,000.00	10,065.58
Pawtucket, R. I., Water 5%, 1951-1956.....	43,000.00	46,140.56
Penn. Ind., Sewage Works Rev. 3½%, 1940-1959.....	220,000.00	230,255.73
Philadelphia, Pa., Loan of 12/30/1919, 4½%, 1952, Opt. 1942.....	812,000.00	817,975.23
Philadelphia, Pa., Loan of 12/30/1919, 6½%, 1971.....	75,000.00	90,686.25
Philadelphia, Pa., Loan of 12/30/1919, 4½%, 1974, Opt. 1944.....	162,000.00	164,217.96
Philadelphia, Pa., Loan of 12/30/1919, 4%, 1975, Opt. 1945.....	75,000.00	76,497.18
Philadelphia, Pa., Loan of 12/30/1919, 4½%, 1975, Opt. 1945.....	258,000.00	282,348.21
Philadelphia, Pa., Loan of 12/30/1919, 4½%, 1976, Opt. 1946.....	50,000.00	53,944.26
Philadelphia, Pa., Loan of 12/30/1919, 5%, 1982, Opt. 1952.....	449,000.00	520,622.99
Philadelphia, Pa., Loan of 10/1/1920, 4%, 1953.....	100,000.00	100,428.43
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 1974, Opt. 1944.....	21,000.00	21,335.88
Philadelphia, Pa., Loan of 10/5/1923, 4%, 1975, Opt. 1945.....	10,000.00	10,058.37
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 1975, Opt. 1945.....	392,000.00	403,979.11
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 4/1/1976, Opt. 1946.....	56,000.00	59,591.77
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 10/16/1976, Opt. 1946.....	223,000.00	240,633.00
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 1977, Opt. 1947.....	2,000.00	2,148.75
Philadelphia, Pa., Loan of 10/5/1923, 4%, 1978, Opt. 1948.....	213,000.00	229,516.97
Philadelphia, Pa., Loan of 10/5/1923, 4½%, 1981, Opt. 1951.....	394,000.00	442,141.70
Philadelphia, Pa., Loan of 10/5/1923, 5%, 1982, Opt. 1952.....	130,000.00	158,062.52
Philadelphia, Pa., Loan of 9/22/1924, 4%, 1975, Opt. 1945.....	100,000.00	100,583.62
Philadelphia, Pa., Loan of 9/22/1924, 4½%, 1975, Opt. 1945.....	600,000.00	659,383.25
Philadelphia, Pa., Loan of 9/22/1924, 4½%, 1976, Opt. 1946.....	616,000.00	670,045.15
Philadelphia, Pa., Loan of 9/22/1924, 4%, 1978, Opt. 1948.....	16,000.00	17,240.71
Philadelphia, Pa., Loan of 9/22/1924, 4½%, 1979, Opt. 1949.....	4,000.00	4,582.86
Philadelphia, Pa., Loan of 6/22/1925, 4½%, 1975, Opt. 1945.....	64,000.00	67,780.83
Philadelphia, Pa., Loan of 6/22/1925, 4½%, 1976, Opt. 1946.....	493,000.00	529,509.09
Philadelphia, Pa., Loan of 6/22/1925, 4½%, 1977, Opt. 1947.....	206,000.00	212,276.89
Philadelphia, Pa., Loan of 6/22/1925, 4%, 1978, Opt. 1948.....	55,000.00	59,436.30
Philadelphia, Pa., Loan of 6/22/1925, 4½%, 1978, Opt. 1948.....	227,000.00	235,018.89
Philadelphia, Pa., Loan of 4/10/1926, 5%, 1962, Opt. 1952.....	100,000.00	110,305.24
Philadelphia, Pa., Loan of 4/10/1926, 4½%, 1976, Opt. 1946.....	67,000.00	71,909.62
Philadelphia, Pa., Loan of 4/10/1926, 4½%, 1977, Opt. 1947.....	21,000.00	21,826.99
Philadelphia, Pa., Loan of 4/10/1926, 4%, 1978, Opt. 1948.....	10,000.00	10,775.44
Philadelphia, Pa., Loan of 4/10/1926, 4½%, 1978, Opt. 1948.....	50,000.00	51,016.82
Philadelphia, Pa., Loan of 4/10/1926, 4%, 1980, Opt. 1950.....	7,000.00	7,563.28
Philadelphia, Pa., Loan of 4/10/1926, 4½%, 1980, Opt. 1950.....	177,000.00	181,047.14
Philadelphia, Pa., Loan of 4/10/1926, 5%, 1982, Opt. 1952.....	80,000.00	91,559.86
Philadelphia, Pa., Loan of 3/21/1928, 4%, 1978, Opt. 1948.....	15,000.00	16,209.87
Philadelphia, Pa., Loan of 3/21/1928, 4½%, 1979, Opt. 1949.....	20,000.00	22,914.27
Philadelphia, Pa., Loan of 3/21/1928, 4%, 1980, Opt. 1950.....	157,000.00	167,136.60
Philadelphia, Pa., Loan of 3/21/1928, 5%, 1982, Opt. 1952.....	400,000.00	441,220.92
Philadelphia, Pa., Loan of 7/8/1929, 4½%, 1979, Opt. 1949.....	76,000.00	87,074.24
Philadelphia, Pa., Loan of 7/8/1929, 4½%, 1980, Opt. 1950.....	126,000.00	138,402.78
Philadelphia, Pa., Loan of 7/8/1929, 4%, 1981, Opt. 1951.....	637,000.00	671,540.82
Philadelphia, Pa., Loan of 7/8/1929, 4½%, 1981, Opt. 1951.....	85,000.00	97,624.99
Philadelphia, Pa., Loan of 7/8/1929, 5%, 1982, Opt. 1952.....	70,000.00	75,774.33
Philadelphia, Pa., School Dist. Loan of 8/1/1924, 4½%, 1944-1953.....	205,000.00	209,556.55
Philadelphia, Pa., School Dist. Loan of 11/1/1926, 4½%, 1941.....	45,000.00	45,407.87
Phillipsburg, N. J., Ref. 3½%, 1940-1949.....	220,000.00	221,132.78
Phoenix, Ariz., Union High School Dist. of High School Gymnasium 3½%, 1941-1958, Part Opt. 1948.....	134,000.00	140,277.33
Phoenix, Ariz., Union High School Dist. of High School Imp. 3½%, 1941-1958.....	448,000.00	466,249.65
Phoenix, Ariz., Union High School Dist. of Junior College Imp. 3½%, 1941-1958.....	338,000.00	351,793.80
Pittsylvania County, Va. Road & Bridge, 5%, 1948.....	50,000.00	51,265.53
Plainfield, N. J., Drainage & Sewer 4½%, 1940-1962.....	220,000.00	223,650.18
Plainfield, N. J., Emergency Relief 4½%, 1940-1943.....	94,000.00	94,713.40
Plymouth County, Iowa, Primary Road 4½%, 1939 & 1940.....	18,000.00	18,035.11
Polk County, Iowa, Funding 2½%, 1939-1943.....	450,000.00	457,567.75
Polk County, Iowa, Funding 5%, 1939-1944.....	103,000.00	106,499.21
Port Angeles, Wash., Mun. Water Works, Elwha River Ext. 6%, 1943-1960, Part Opt. 1945.....	125,000.00	145,194.95
Port of New York Authority, Gen. & Ref. 1st Series, 4%, 1975.....	503,000.00	532,272.33
Port of New York Authority, Gen. & Ref. 2nd Series, 3½%, 1965.....	660,000.00	692,827.80
Port of New York Authority, New York-New Jersey Terminal, Series D, 4½%, 1945-1960.....	276,000.00	299,199.05
Port of Seattle, Wash., Gen. Serial 3%, 1951-1960.....	204,000.00	204,000.00
Port of Seattle, Wash., Gen. Serial 3½%, 1944-1950.....	100,000.00	103,474.21
Port of Seattle, Wash., Gen. Serial, Central Water Front Imp., Series No. 2, 4½%, 1946-1958.....	50,000.00	57,582.71
Portland, Ore., Bridge 4%, 1942.....	100,000.00	104,242.78
Portland, Ore., Ref. Imp. 3½%, 1942.....	100,000.00	102,889.61
Portland, Ore., Refund Water 4½%, 1944-1947.....	98,000.00	100,953.31
Portland, Ore., Water, Dated 10/1/1923, 4%, 1945-1953.....	19,000.00	19,250.08
Portland, Ore., Water, Dated 4/1/1924, 4%, 1947.....	1,000.00	1,014.04
Portland, Ore., Water, Dated 3/1/1926, 4%, 1944-1954.....	102,000.00	103,181.54

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Portland, Ore., Water, Dated 4/1/1927, 4%, 1949-1951	\$19,000.00	\$19,271.44
Portland, Ore., Water, Dated 2/1/1929, 4%, 1945-1956	180,000.00	179,875.00
Portland, Ore., Water, Dated 4/1/1930, 4%, 1945-1947	120,000.00	120,000.00
Portland, Ore., Water, Dated 7/16/1934, 4%, 1945-1964	100,000.00	102,317.51
Pottawattamie County, Iowa, Primary Road Ref. 3½%, 1947 & 1948	83,000.00	86,092.72
Price County, Wis., Highway Imp., Series C, Dated 5/1/1936, 3%, 1941 & 1942	96,000.00	98,352.02
Price County, Wis., Highway Imp., Series C, Dated 5/1/1937, 3%, 1943-1946	136,000.00	136,000.00
Prince George's County, Md., Public School 4%, 1939-1963	180,000.00	185,879.06
Quincy, Ill., School Dist. No. 172, Funding 5%, 1939-1952	275,000.00	290,737.33
Quincy, Mass., North Quincy High School 2½%, 1939-1945	45,000.00	45,419.99
Quincy, Mass., St. Construction Loan, 2½%, 1939-1945	60,000.00	60,103.93
Racine County, Wis., Poor Relief, Series 1933, 5%, 1939 & 1943	65,000.00	65,049.55
Racine County, Wis., Relief, Series 1934, 3½%, 1939-1944	300,000.00	304,198.53
Racine County, Wis., Relief, Series 1936, 2¾%, 1939 & 1940	60,000.00	60,518.19
Raleigh, N. C., Ref., Series A, 3½%, 1951-1956	302,000.00	302,000.00
Raleigh N. C., Ref., Series B, 3½%, 1946-1953	64,000.00	64,296.57
Ramsey County, Minn. Public Welfare 4%, 1942-1944	422,000.00	423,129.94
Richmond Bridge Corp., Va., Bridge Rev. Ref., Series A, 4%, 1945-1953, Opt. 1950	270,000.00	290,722.55
Riverside-Brookfield High School Dist. No. 203, Cook County, Ill., 3½%, 1940-1957	200,000.00	204,950.04
Roane County, Tenn., Funding 5%, 1947	15,000.00	14,833.26
Roane County, Tenn., Ref. 5%, 1956, Opt. 1937-1942	73,000.00	72,763.59
Roanoke, Va., Public Imp., Series O, 4½%, 1954	100,000.00	104,321.41
Roanoke, Va., Public Imp., Series R, 4½%, 1957	110,000.00	117,439.48
Roanoke, Va., Public Imp., Series W, 4½%, 1961	165,000.00	175,744.00
Rochester, N. Y., Public Welfare, 4%, 1939	225,000.00	225,001.84
Rochester, N. Y., Public Welfare, 1½%, 1939	200,000.00	200,078.03
Rock Island, Ill., Sewerage Rev. 3½%, 1940-1972	450,000.00	483,164.44
Rockford, Ill., Sanitary Dist. Sanitary Sewer 4½%, 1939-1946	60,000.00	59,891.60
Rockford, Ill., Sanitary Dist. Sanitary Sewer 4½%, 1947 & 1948	50,000.00	52,884.82
Rockland, Callicoon, Liberty and Neversink (Sullivan County), Colchester and Andes (Delaware County), and Hardenburgh (Ulster County), N. Y. Central School Dist. No. 2 of 3, 10%, 1949-1967	200,000.00	200,000.00
Rogers County, Okla. Road Ref. 5½%, 1939-1942	76,000.00	76,000.00
Rutherford County, Tenn. Highway 6%, 1950	200,000.00	217,332.13
Rye, N. Y., Highway 4½%, 1948 & 1949	38,000.00	43,004.99
Rye, N. Y., Public Imp. 4½%, 1948 & 1949	12,000.00	13,580.51
St. Charles County, Mo., Toll Bridge Revenue, Series A, 3¾%, 1956 Opt. 1937	300,000.00	299,928.93
St. Louis County, Minn., County Road 2½%, 1944 & 1945	127,000.00	127,337.18
St. Louis County, Minn., County Road 2¾%, 1946-1948	450,000.00	455,158.10
St. Louis, Mo., Hospital 4%, 1947-1954	400,000.00	411,240.49
St. Louis, Mo., Relief 3½%, 1941-1943, Opt. 1939	600,000.00	600,199.97
St. Louis County, Mo., Road 4½%, 1949-1952	100,000.00	114,671.54
Salem, Ore., Water 3½%, 1946-1950	35,000.00	36,712.85
Salem, Ore., Water 3½%, 1951-1960	146,000.00	155,066.02
Salem, Ore., Water, Dated 7/1/1935, 4%, 1945-1952	287,000.00	307,690.29
Salem, Ore., Water, Dated 7/1/1936, 4%, 1961	19,000.00	20,626.01
Salt Lake City, Utah, Ref. 4½%, 1943-1953	220,000.00	228,256.60
Salt River Project Agricultural Imp. & Power Dist. Ariz., Dated 10/1/1937, 4½%, 1/1/1948-1952	500,000.00	510,558.79
Salt River Project Agricultural Imp. & Power Dist. Ariz., Dated 6/1/38, 4½%, 7/1/1948-1952	250,000.00	255,469.71
San Bernardino County, Calif., Highway, 5%, 1940-1954	128,000.00	130,829.67
San Diego, Calif., Mun. Imp. Mun. Air Port Bond Fund 4½%, 1953-1962	83,000.00	90,791.96
Sandusky County, Ohio, State St. Bridge 6%, 1939 & 1940	13,000.00	13,020.61
San Francisco, Calif., Bernal Cut 4½%, 1939-1946	141,000.00	141,573.93
San Francisco, Calif., Boulevard 4½%, 1939-1951	453,000.00	455,129.72
San Francisco, Calif., Hetch Hetchy Water 5%, 1961-1964	240,000.00	319,962.60
San Francisco, Calif., Spring Valley 4½%, 1951-1962	275,000.00	336,659.13
Schroon, N. Y., Central School Dist. No. 1 School Bldg. 4%, 1940-1959	153,000.00	160,079.09
Seattle, Wash., Mun. Light & Power, Series LT-1, 4½%, 1941 & 1942	107,000.00	111,427.27
Seattle, Wash., Mun. Light & Power, Series LT-7, 4½%, 1941-1951	115,000.00	118,488.85
Seattle, Wash., Mun. Light & Power, Series LU-1, 5%, 1939-1955	125,000.00	130,865.08
Seattle, Wash., Mun. Light & Power, Series LU-3, 5%, 1945-1958	145,000.00	152,068.73
Seattle, Wash., Mun. Light & Power, Series LU-5, 4½%, 1942-1958	494,000.00	491,686.65
Seattle, Wash., Mun. Light & Power, Series LX-1, 5%, 1944-1956	77,000.00	82,743.80
Seattle, Wash., Mun. Light & Power, Series LX-2, 5%, 1944-1956	52,000.00	56,382.61
Seattle, Wash., Mun. Water, Series No. 1, 3%, 1945-1948	500,000.00	500,000.00
Shelby, N. C., Funding 3½%, 1940-1944	20,000.00	20,650.70
Shelby, N. C., Ref. St. Imp. 3½%, 1940-1942	3,000.00	3,086.02
Shelby, N. C., Ref. Water 3½%, 1951-1956	63,000.00	62,963.26
Shelby, N. C., Ref. Water 3½%, 1944-1950	52,000.00	53,516.20
Shelby County, Tenn., County Institutions 4½%, 1942-1957	283,000.00	289,858.13

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Shorewood, Wis., School Dist. No. 4, Science Bldg. & Heating Plant 4½%, 1939-1943.....	\$220,000.00	\$220,000.00
Shorewood, Wis., School Dist. No. 4, Science Bldg. & Heating Plant Completion 4½%, 1939-1943.....	26,000.00	26,000.00
Sloux City, Iowa, Ind., School Dist. 5%, 1941.....	180,000.00	178,109.61
Sioux Falls, S. Dak., Ind. School Dist. 5%, 1942.....	235,000.00	238,682.24
Sioux Falls, S. Dak., Ind. School Dist. 5½%, 1940.....	109,000.00	99,481.20
South Carolina, State Cfts. of Indebtedness 3%, 1949-1952.....	235,000.00	235,000.00
South Carolina, State Highway Cfts. of Indebtedness 2½%, 1945-1947.....	500,000.00	491,314.11
South Carolina, State Highway Cfts. of Indebtedness 4½%, 1948-1953.....	345,000.00	359,887.84
South Carolina, State Highway Cfts. of Indebtedness 4½%, 8/1/1947-1953.....	80,000.00	89,112.93
South Carolina, State Highway Cfts. of Indebtedness 4½%, 12/1/1947-1953.....	343,000.00	388,118.65
South Carolina, State Highway Cfts. of Indebtedness (Reg.) 4½%, 1953.....	100,060.00	114,682.98
South Carolina, State Highway Cfts. of Indebtedness 4½%, 1946-1950.....	525,000.00	537,790.98
South Dakota, Ref. 3½%, 1944 & 1945.....	424,000.00	433,920.46
South Milwaukee, Wis., School 6%, 1939-1941.....	12,600.00	12,005.55
Spartanburg County, S. C., Ref. 3½%, 1947-1952.....	91,000.00	92,653.12
Spartanburg County, S. C., Ref. 3½%, 1940-1946.....	100,000.00	102,749.44
Spartanburg County, S. C., Road Imp. 3½%, 1943-1948.....	150,000.00	151,405.48
Spokane County, Wash., Funding 5%, 1945-1949.....	100,000.00	107,598.23
Spokane, Wash., General of 1931, 4%, 1948-1951.....	123,000.00	128,594.77
Spokane, Wash., General of 1933, 5½%, 1951.....	10,000.00	11,654.97
Spokane, Wash., General of 1933, Series A, 5½%, 1939-1943.....	27,000.00	27,656.30
Spokane, Wash., General of 1934, Series A, 3½%, 1947-1954.....	128,000.00	128,000.00
Springfield, Ill., Electric Light Plant & System Cfts. of Indebtedness 2.90%, 1948 & 1949, Opt.....	72,000.00	71,382.55
Springfield, Mo., School Dist. 4½%, 1948 & 1949.....	50,000.00	53,037.32
Springfield, Ohio, Hospital 4%, 1946 & 1947.....	59,000.00	61,106.60
Springfield, Ohio, Sewer, Dated 9/1/1933, 4%, 1940-1958.....	463,000.00	473,630.41
Springfield, Ohio, Sewer, Dated 9/1/1934, 4%, 1940-1960.....	128,000.00	130,965.00
Springwells (now Dearborn), Mich. Mulkey Ave.-Mich. Central Grade Separation 4½%, 1955.....	39,000.00	43,681.66
Springwells (now Dearborn), Mich. Schaefer Road-Detroit & Ironton Grade Separation 4½%, 1955.....	86,000.00	96,323.66
Springwells (now Dearborn), Mich. Water Ext. 4½%, 1954.....	25,000.00	27,942.63
Stanly County, N. C., Jail 3½%, 1945-1948.....	12,000.00	12,307.99
Stanly County, N. C., School 3½%, 1950-1956.....	96,000.00	95,484.38
Stanly County, N. C., School 3½%, 1945-1949.....	66,000.00	67,790.01
Stevens Point, Wis., Water Works 5%, 1939-1941.....	15,000.00	15,098.37
Suffolk County, N. Y., Emergency Relief 5.25%, 1943.....	8,000.00	8,345.65
Suffolk County, N. Y., Highway 5.25%, 1944-1952.....	102,000.00	110,377.61
Sullivan County, Tenn., Highway 5%, 1942 & 1943.....	61,000.00	61,970.82
Sullivan County, Tenn., Road Imp. 4½%, 1942.....	100,000.00	98,814.18
Sullivan County, Tenn., School 3½%, 1945-1957.....	183,000.00	182,100.06
Summit, N. J., Imp. Funding 4½%, 1940-1943.....	128,000.00	128,894.22
Syracuse, N. Y., Ref. Water 5½%, 1952-1960.....	100,000.00	115,199.29
Syracuse, N. Y., Welfare 4.10%, 1940-1943.....	425,000.00	425,351.18
Tacoma, Wash., Water 4%, 1942-1952.....	134,000.00	144,984.55
Tampa, Fla. Gen. Ref., Series EC, 4%, 1941-1958.....	850,000.00	851,363.53
Taylor County, W. Va. Permanent Road Imp. 5%, 1944-1946.....	50,000.00	50,611.21
Tazewell County, Va. Road & Bridge, 1912, 5%, 1939-1942.....	34,000.00	34,073.00
Tazewell County, Va. Road & Bridge Imp., 1916, 5%, 1939-1946.....	124,000.00	125,040.79
Tennessee, Bridge 4½%, 1944.....	540,000.00	564,092.46
Tennessee, Bridge 4½%, 1945.....	58,000.00	63,203.03
Tennessee, Cons. Bonds for County Reimbursement 3½%, 1940.....	200,000.00	200,000.00
Tennessee, Cons. Bonds for Ref. 3½%, 1948.....	700,000.00	714,733.42
Tennessee, Highway 6%, 1946 & 1947.....	61,000.00	72,371.59
Tennessee, Highway Ref. 3½%, 1955.....	1,070,000.00	1,138,315.23
Tennessee, Highway Ref., Series A, 3.90%, 1955 & 1958.....	1,542,000.00	1,696,896.99
Tennessee, Ref., Series B, 4½%, 1948.....	100,000.00	109,717.93
Thornton Township High School Dist. No. 205 Cook County, Ill. Funding 3½%, 1937 Opt. 1950-1955.....	65,000.00	66,832.67
Thornton Township High School Dist. No. 205 Cook County Ill. School Bldg. 4%, 1956, Opt. 1943-1955.....	300,000.00	317,842.21
Trenton, N. J. Gen. Funding 3½%, 1939-1941.....	635,000.00	658,513.96
Trenton, N. J. School of 1913 4½%, 1943.....	60,000.00	62,900.11
Trenton, N. J. School of 1930, 4½%, 1958 & 1964.....	170,000.00	197,451.06
Trenton, N. J. Water Imp. 4½%, 1943.....	84,000.00	88,586.31
Tucson, Ariz. High School Dist. 6%, 1939-1941.....	225,000.00	224,451.03
Tulsa, Okla., Funding 5½%, 1939-1952.....	162,000.00	169,733.97
Tulsa, Okla., Waterworks 5½%, 1942-1947.....	310,000.00	332,001.96
Valparaiso, Inc. Waterworks Rev. 3½%, 1951-1965 Opt. 1947.....	98,000.00	95,865.47
Vance County, N. C. School Bldg. 4%, 1948-1954.....	84,000.00	89,653.66
Warwick, R. I. Serial School 4%, 1951-1963.....	120,000.00	125,111.13
Washington, Gen. Obligation 3½%, 1950 & 1951.....	750,000.00	742,177.50
Washington, Gen. Obligation 4%, 1949 & 1950.....	250,000.00	252,645.04

Bonds Owned December 31, 1938—Continued

U. S. A. STATE, COUNTY, AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
Washington (D. C.) Suburban Sanitary Dist. Md., Series B, 5%, 1969, Opt. 1949, (Int. & Prin. Gtd. by Montgomery and Prince George's Counties, Md.)	70,000.00	\$80,402.97
Washington (D. C.) Suburban Sanitary Dist. Md., Series EE, 5%, 1984, Opt. 1964, (Int. & Prin. Gtd. by Montgomery and Prince George's Counties, Md.)	\$300,000.00	317,812.63
Waterbury, Conn. Bridge 4½%, 1939-1955	84,000.00	86,444.18
Waterbury, Conn. Fire Dept. 4½%, 1939-1952	36,030.00	36,879.91
Waterbury, Conn. Sewerage 4½%, 1939-1955	364,000.00	373,523.92
Waterbury, Conn., Water, 22nd Series, 4½%, 1965-1968	35,000.00	40,505.82
Waterbury, Conn., Water, 23rd Series, 4½%, 1965-1969	30,000.00	34,753.67
Waterloo, Iowa, Funding 6%, 1939-1941	32,000.00	32,285.61
Watervliet, N. Y., Water Supply 4%, 1942-1960	85,000.00	87,701.94
Wayne County, N. C., Ref. Gold 4½%, 1939 & 1940	50,000.00	50,002.45
Wayne County, N. C., Road 4½%, 1939-1960	220,000.00	224,571.62
Westchester County, N. Y., Blind Brook Sanitary Sewer 4%, 1968	20,000.00	20,886.34
Westchester County, N. Y., County Park 4%, 1965	100,000.00	106,428.22
Westchester County, N. Y., County Park 4½%, 1954	30,000.00	31,744.10
Westchester County, N. Y., Hutchinson Valley Sanitary Sewer 4%, 1958	10,000.00	10,412.90
Westchester County, N. Y., Park 3½%, 1951 & 1953	117,000.00	123,416.31
Westchester County, N. Y., Park 4%, 1961 & 1963	19,000.00	10,443.76
Westchester County, N. Y., Park 4½%, 1971-1975	110,000.00	119,425.82
Westchester County, N. Y., Park 4½%, 1957	40,000.00	43,684.57
West Orange, N. J., Gen. Ref. 3½%, 1940-1946	150,000.00	152,609.18
Wichita, Kan. Board of Education, School Dist. No. 1, 4½%, 1944-1948	100,000.00	102,387.43
Wichita, Kan. Internal Imp. Refund 4½%, 1940-1944	106,000.00	107,344.58
Wilson County, N. C., Highway 4½%, 1939-1954	445,000.00	445,000.00
Winston-Salem, N. C., Funding 4½%, 1939	25,000.00	25,398.11
Winston-Salem, N. C., Gen. Ref. 4%, 1951-1956	68,000.00	74,505.05
Winston-Salem, N. C., Ref. 3½%, 1953-1965	174,000.00	177,850.65
Winston-Salem, N. C., School Ref. 4%, 1952-1955	24,000.00	26,269.54
Winston-Salem, N. C., Sewer 4%, 1940-1958	215,000.00	233,789.91
Winston-Salem, N. C., Ref. 4½%, 1939	9,000.00	9,144.66
Winston-Salem, N. C., Water Ref. 4%, 1952-1955	8,000.00	8,756.51
Winston-Salem, N. C., Water 4½%, 1939	2,000.00	2,032.16
Wise County, Va., Gen. Ref. Series A, 4½%, 1943-1965	300,000.00	300,000.00
Wyandotte County, Kan. Funding 4½%, 1941	332,000.00	332,777.94
Yonkers, N. Y., Assessment, Series A, 5%, 1943	4,000.00	4,068.63
Yonkers, N. Y., Equipment 5%, 1943 & 1944	20,000.00	20,368.01
Yonkers, N. Y., General, Series II, 5%, 1942 & 1943	85,000.00	86,296.24
Yonkers, N. Y., General, Series III, 2½%, 1943 & 1944	210,000.00	210,978.84
Yonkers, N. Y., General 3%, 1945-1947	335,000.00	334,573.40
Yonkers, N. Y., General Corporate 5%, 1940-1942	593,000.00	606,069.19
Yonkers, N. Y., Public Bldg. 4%, 1946 & 1947	50,000.00	49,580.60
Yonkers, N. Y., Ref. 2½%, 1943 & 1944	160,000.00	160,749.23
Yonkers, N. Y., School 5%, 1955-1959	250,000.00	286,282.20
Yonkers, N. Y., School, Series A, 4%, 1946 & 1947	50,000.00	49,580.60
York County, S. C., Highway 3½%, 1946-1954	342,000.00	348,289.03
Yorktown, New Castle and Cortlandt, N. Y., Board of Education, Central School Dist. No. 2, 4%, 1941-1954	81,000.00	85,988.64
Youngstown, Ohio, City School Dist. Imp. 5½%, 1939 & 1940	25,000.00	25,352.79
Youngstown, Ohio, Water Works Imp. 6%, 1939-1946	100,000.00	101,946.01
Total	202,515,521.75	212,088,704.65

CANADIAN PROVINCIAL AND MUNICIPAL BONDS

Alberta, Province of, 6%, 1941	63,000.00	*\$10,950.00
Alberta, Province of, 5%, 1942	128,000.00	*76,800.00
Alberta, Province of, 5%, 1943	75,000.00	*45,000.00
Alberta, Province of, 4½%, 1945	1,000,000.00	*570,000.00
Alberta, Province of, 5½%, 1947	115,000.00	*72,450.00
Alberta, Province of, 5%, 1948	85,000.00	*51,000.00
Alberta, Province of, 5%, 1950	1,205,000.00	*723,000.00
Alberta, Province of, 5½%, 1952	605,000.00	*381,150.00
British Columbia, Province of, 5½%, 1939	553,000.00	552,532.28
British Columbia, Province of, 5%, 7/2/1939	20,000.00	20,009.75
British Columbia, Province of, 5%, 7/12/1939	30,000.00	30,015.54
British Columbia, Province of, 6%, 1941	35,000.00	35,113.37
Manitoba, Province of, 5½%, 1912	210,000.00	210,664.01
Manitoba, Province of, 4½%, 1945	282,000.00	276,233.45
Manitoba, Province of, 4½%, 1958	500,000.00	480,972.86
Montreal Catholic School Commission, Que., 5%, 1962	700,000.00	716,703.05
Montreal, Quebec, 5%, 1942	500,000.00	495,029.75
Montreal, Quebec, 4½%, 1946	1,000,000.00	975,137.84
Montreal, Quebec, Sinking Fund 5%, 1954	1,400,000.00	1,367,773.15
Montreal, Quebec, Sinking Fund 5%, 1958	250,000.00	240,907.70
Montreal, Quebec, Sinking Fund 4½%, 1966	2,000,000.00	1,914,182.70
New Brunswick, Province of, 4½%, 1955	740,000.00	801,399.31

Bonds Owned December 31, 1938—Continued

CANADIAN PROVINCIAL AND MUNICIPAL BONDS—Continued

	Par value	Admitted asset value
New Brunswick, Province of, 5%, 1960.....	\$660,000.00	\$751,259.36
New Brunswick, Province of, 4½%, 1961.....	500,000.00	554,403.45
Nova Scotia, Province of, 4½%, 1932-47.....	922,000.00	1,007,753.84
Nova Scotia, Province of, 4½%, 1948.....	100,000.00	110,397.21
Nova Scotia, Province of, 5%, 1959.....	235,000.00	264,679.76
Nova Scotia, Province of, 5%, 1960.....	256,000.00	291,926.37
Nova Scotia, Province of, 4½%, 1960.....	487,000.00	542,658.13
Ontario, Province of, 5%, 1942.....	1,250,000.00	1,242,842.08
Ontario, Province of, External 6%, 1943.....	2,463,000.00	2,483,037.97
Ontario, Province of, Internal 6%, 1943.....	50,000.00	49,657.32
Ontario, Province of, 4½%, 1944.....	1,000,000.00	979,935.73
Ontario, Province of, 5%, 1952.....	200,000.00	211,744.71
Ontario, Province of, 4½%, 1950-1957.....	130,000.00	148,799.54
Ontario, Province of, 5%, 1959.....	1,750,000.00	1,973,620.02
Ontario, Province of, 5%, 1960.....	2,585,000.00	2,931,441.07
Ontario, Province of, 4½%, 1951-1962.....	125,000.00	143,925.81
Ontario, Province of, 4½%, 1951-1968.....	306,000.00	340,397.05
Ottawa, Ontario, 5%, 1939.....	100,000.00	100,048.80
Quebec, City of, Quebec, 5%, 1959.....	175,000.00	187,822.65
Quebec, Province of, 4½%, 1950-45.....	1,500,000.00	1,466,516.82
Quebec, Province of, 4½%, 1956-51.....	520,000.00	588,049.67
Quebec, Province of, 4½%, 1957-52.....	122,000.00	138,393.72
Quebec, Province of, 4%, 1958-53.....	400,000.00	429,000.63
Quebec, Province of, 4½%, 1961.....	135,000.00	154,689.49
Saskatchewan, Province of, 4%, 1940.....	175,000.00	173,719.43
Saskatchewan, Province of, 5½%, 1946.....	1,029,000.00	1,018,655.68
Toronto, Ontario, 4½%, 2/1/1941-1945.....	150,000.00	148,211.30
Toronto, Ontario, 4½%, 3/1/1942-1945.....	170,000.00	167,800.25
Toronto, Ontario, 4½%, 10/1/1941-1917.....	115,000.00	113,200.76
Toronto, Ontario, 4½%, 11/1/1941-1944.....	303,000.00	325,855.04
Toronto, Ontario, 6%, 7/1/1939-1951.....	2,134,000.00	2,132,201.08
Toronto, Ontario, 5%, 1939 & 1940.....	326,000.00	325,161.28
Winnipeg, Manitoba, 4½%, 1944.....	1,050,000.00	1,027,355.76
Winnipeg, Manitoba, 4½%, 1946.....	500,000.00	487,688.87
Winnipeg, Manitoba, 4½%, 1950.....	870,000.00	833,137.66
Total.....	34,316,000.00	33,913,046.27

U. S. A. RAILROAD BONDS

Atchison, Topeka & Santa Fe Ry. Co., Gen. Mtg. 4%, 1995.....	\$3,334,000.00	\$3,341,468.10
Atchison, Topeka & Santa Fe Ry. Co., Transcontinental Short Line 4%, 1938.....	60,000.00	54,963.08
Atlantic Coast Line R. R. Co., 1st Cons. Mtg. 4%, 1952.....	500,000.00	483,762.40
Atlantic Coast Line R. R. Co., Gen. Unified Mtg. Series A, 4½%, 1964.....	329,000.00	280,252.14
Baltimore & Ohio R. R. Co., Ref. & Gen. Mtg. 5%, 1995.....	2,500,000.00	*475,000.00
Baltimore & Ohio R. R. Co., Ref. & Gen. Mtg. 6%, 1995.....	1,347,000.00	*269,400.00
Baltimore & Ohio R. R. Co., Ref. & Gen. Mtg. 5%, 2000.....	1,318,000.00	*215,680.00
Baltimore & Ohio R. R. Co., 1st Mtg. 4%, 1948.....	1,314,000.00	1,226,926.62
Baltimore & Ohio R. R. Co., 1st Mtg. 5%, 1948.....	4,790,000.00	4,768,092.20
Burlington, Cedar Rapids & Northern Ry. Co., Cons. 1st Mtg. 5%, 1934 (New York Trust Co. Ctls.).....	790,000.00	*55,300.00
Central of Georgia Ry. Co., Chattanooga Div. P. M. Mtg. 4%, 1951.....	720,000.00	*64,800.00
Central Pacific Ry. Co., 1st Ref. Mtg. 4%, 1949.....	3,541,500.00	3,402,266.24
Central Pacific Ry. Co., Through Short Line Div. 1st Mtg. 4%, 1954.....	600,000.00	593,431.93
Chesapeake & Ohio Ry. Co., 1st Cons. Mtg. 5%, 1939.....	27,000.00	27,086.45
Chesapeake & Ohio Ry. Co., Gen. Mtg. 4½%, 1992.....	260,000.00	233,680.76
Chicago & Alton R. R. Co., Ref. Mtg. 3%, 1949.....	500,000.00	*70,000.00
Chicago, Burlington & Quincy R. R. Co., Gen. Mtg. 4%, 1958.....	908,000.00	871,534.25
Chicago, Burlington & Quincy R. R. Co., Illinois Div. 4%, 1949.....	806,000.00	735,220.31
Chicago, Burlington & Quincy R. R. Co., 1st & Ref. Mtg. 5%, 1971.....	6,955,000.00	6,955,000.00
Chicago & Erie R. R. Co., 1st Mtg. 5%, 1982.....	1,080,000.00	1,268,808.18
Chicago, Milwaukee & St. Paul Ry. Co., Gen. Mtg. 4½%, 1959.....	600,000.00	*168,000.00
Chicago, Milwaukee & St. Paul Ry. Co., Gen. Mtg. 4%, 1989.....	1,222,000.00	*329,940.00
Chicago, Milwaukee, St. Paul & Pacific R. R. Co., 50-Yr. Mtg. Gold Series A, 5%, 1975.....	795,200.00	*95,424.00
Chicago & North Western Ry. Co., Gen. Mtg. 3½%, 1987.....	170,000.00	*25,500.00
Chicago & North Western Ry. Co., Gen. Mtg. (Reg.) 3½%, 1987.....	895,000.00	*134,250.00
Chicago & North Western Ry. Co., Gen. Mtg. 4%, 1987.....	1,035,000.00	*165,600.00
Chicago & North Western Ry. Co., Gen. Mtg. (Reg.) 4%, 1987.....	171,000.00	*27,360.00
Chicago & North Western Ry. Co., Gen. Mtg. 4½%, 1987.....	225,000.00	*38,250.00
Chicago & North Western Ry. Co., Gen. Mtg. 5%, 1987.....	2,369,000.00	*450,110.00
Chicago & North Western Ry. Co., Gen. Mtg. (Reg.) 5%, 1987.....	60,000.00	*11,400.00
Chicago & North Western Ry. Co., 1st & Ref. Mtg. 5%, 2037.....	3,554,000.00	*426,480.00
Chicago & North Western Ry. Co., 15-Yr. Secured Gold 6½%, 1936.....	598,000.00	*113,620.00
Chicago, Rock Island & Pacific Ry. Co., 1st & Ref. Mtg. 4%, 1934 (Harris Trust & Savings Bank, Ctls.).....	4,650,000.00	*372,000.00
Chicago, Rock Island & Pacific Ry. Co., Gen. Mtg. 4%, 1988 (Bankers Trust Co. N. Y., Ctl.).....	156,000.00	*24,960.00

Bonds Owned December 31, 1938—Continued

U. S. A. RAILROAD BONDS—Continued

	Par value	Admitted asset value
Chicago, St. Louis & New Orleans R. R. Co., Cons. Mtg. 5%, 1951.....	\$218,000.00	\$224,737.25
Chicago, St. Louis & New Orleans R. R. Co., Memphis Div. 1st Mtg. 4%, 1951.....	839,000.00	872,541.09
Chicago Union Station Co., 1st Mtg. Gold, Series D, 4%, 1963.....	1,580,000.00	1,594,810.46
Chicago Union Station Co., 1st Mtg. Gold, Series E, 3½%, 1963.....	700,000.00	729,748.41
Chicago & Western Indiana R. R. Co., Cons. Mtg. 4%, 1952.....	500,000.00	484,260.07
Chicago & Western Indiana R. R. Co., 1st & Ref. Mtg., Series D, 4¼%, 1962.....	683,000.00	683,000.00
Cleveland, Cincinnati, Chicago & St. Louis, Ry. Co., Cincinnati, Washash & Michigan Ry. Co., 1st Mtg. 4%, 1991.....	22,000.00	22,000.00
Denver & Rio Grande R. R. Co., Cons. Mtg. 4%, 1936.....	1,529,000.00	*229,350.00
Denver & Rio Grande R. R. Co., Cons. Mtg. 4½%, 1936.....	321,000.00	*48,150.00
Detroit River Tunnel Co., Detroit Term. & Tunnel 1st Mtg. Gold 4½%, 1961.....	223,000.00	245,496.31
Duluth, Missabe & Iron Range Ry. Co. 1st Mtg. 3½%, 1962.....	1,006,000.00	980,990.66
Elgin, Joliet & Eastern Ry. Co., 1st Mtg. 5%, 1941.....	950,000.00	964,956.00
Erie R. R. Co., Prior Lien Mtg. 4%, 1996.....	2,000,000.00	*800,000.00
Grand Trunk Western Ry. Co., 1st Mtg. 50-Yr. Gold 4%, 1950.....	491,500.00	433,893.16
Great Northern Ry. Co., Gen. Mtg. Conv., Series G, 4%, 1946.....	326,500.00	326,895.54
Great Northern Ry. Co., Gen. Mtg. Conv., Series H, 4%, 1946.....	3,326,500.00	3,342,654.03
Great Northern Ry. Co., Gen. Mtg., Series B, 5½%, 1952.....	1,505,000.00	1,591,070.08
Great Northern Ry. Co., Gen. Mtg., Series C, 5%, 1973.....	647,000.00	694,778.29
Great Northern Ry. Co., Gen. Mtg., Series I, 3¾%, 1967.....	522,000.00	599,601.28
Great Northern Ry. Co., 1st & Ref. Mtg., Series A, 4¼%, 1961.....	1,690,000.00	1,569,552.87
Illinois Central R. R. Co. & Chicago, St. Louis, St. Louis & New Orleans R. R. Co., Joint 1st Ref. Mtg., Series A, 5%, 1963.....	100,000.00	99,155.62
Illinois Central R. R. Co., Louisville Div. & Term. 1st Mtg. 3½%, 1953.....	1,300,000.00	1,286,864.21
Illinois Central R. R. Co., Ref. Mtg. 4%, 1955.....	1,816,000.00	1,732,343.40
Illinois Central R. R. Co., Gold 4%, 1952.....	100,000.00	94,476.95
Indiana, Illinois & Iowa R. R. Co., 1st Mtg. 4%, 1950.....	550,000.00	553,028.10
Kansas City Southern Ry. Co., 1st Mtg. 3%, 1950.....	500,000.00	424,035.45
Kentucky Central Railway Co., 1st Mtg. 4%, 1987.....	181,000.00	181,000.00
Lehigh Valley Railway Co. (of N. Y.) 1st Mtg. 4½%, 1940.....	150,000.00	150,712.56
Lehigh Valley Terminal Ry. Co., 1st Mtg. 5%, 1941.....	962,000.00	978,534.60
Long Island R. R. Co., Ref. Mtg. Gold 4%, 1949.....	1,000,000.00	1,042,461.09
Louisville, Henderson & St. Louis Ry. Co., 1st Mtg. 5%, 1946.....	400,000.00	416,487.43
Louisville & Nashville R. R. Co., Unified Mtg. 4%, 1910.....	2,223,000.00	2,223,641.20
Louisville & Nashville R. R. Co., Atlanta, Knoxville & Cincinnati Div. Gold 4%, 1955.....	628,000.00	599,659.88
Manitowoc, Green Bay & North Western Ry. Co., 1st Mtg. 3½%, 1941.....	500,000.00	*65,000.00
Michigan Central R. R. Co., 1st Mtg. 3½%, 1952.....	1,000,000.00	867,619.97
Milwaukee, Sparta & North Western Ry. Co., 1st Mtg. 4%, 1947.....	962,000.00	*153,920.00
Minneapolis, St. Paul & Sault Ste. Marine Ry. Co., 1st Cons. Mtg. 5%, 1938.....		
Guaranteed.....	519,000.00	*41,420.00
Not Guaranteed.....	1,771,000.00	*88,550.00
Minneapolis, St. Paul & Sault Ste. Marie Ry. Co., 1st Cons. Mtg., Guaranteed, 4%, 1938.....	3,087,000.00	*246,960.00
Missouri, Kansas & Texas Ry. Co., 1st Mtg. 4%, 1990.....	475,000.00	495,851.27
Missouri Pacific R. R. Co., 1st & Ref. Mtg., Series F, 5%, 1977 (Guaranty Trust Co. of New York, Cdfs.).....	6,310,000.00	*1,325,100.00
Missouri Pacific R. R. Co., 1st & Ref. Mtg., Series G, 5%, 1978 (Guaranty Trust Co. of New York, Cdfs.).....	900,000.00	*180,000.00
Missouri Pacific R. R. Co., 1st & Ref. Mtg., Series I, 5%, 1981 (Guaranty Trust Co. of New York, Cdfs.).....	1,000,000.00	*210,000.00
New York Central & Hudson River R. R. Co., Mtg. Gold 3½%, 1997.....	60,000.00	39,675.91
New York Central & Hudson River R. R. Co., Lake Shore Collateral Gold 3½%, 1998.....	123,000.00	95,791.00
New York, Chicago & St. Louis R. R. Co., 1st Mtg. 3½%, 1947.....	318,000.00	318,000.00
New York, Lackawanna & Western Ry. Co., 1st & Ref. Mtg., Series A, 4%, 1973.....	100,000.00	100,000.00
New York, Ontario & Western Ry. Co., Ref. Mtg. 4%, 1992.....	2,000,000.00	*160,000.00
Norfolk & Western Ry. Co., 1st Cons. Mtg. 4%, 1996.....	2,000,000.00	2,031,859.38
Northern Ohio Railway Co., 1st Mtg. 5%, 1945 (Nat'l State Bank, Newark, N. J. Cdf.).....	595,000.00	*190,400.00
Northern Pacific Ry. Co., Prior Lien Ry. & Land Grant 4%, 1997.....	1,990,000.00	1,937,482.52
Northern Pacific Ry. Co., Gen. Lien Ry. & Land Grant 3%, 2047.....	500,000.00	323,118.98
Oregon R. R. & Navigation Co., Cons. Mtg. 4%, 1946.....	275,000.00	274,710.58
Oregon-Washington R. R. & Navigation Co., 1st & Ref. Mtg., Series A, 4%, 1961.....	2,998,000.00	2,478,285.91
Pennsylvania Railroad Co., Cons. Mtg. 4%, 1948.....	145,000.00	138,565.11
Pennsylvania Railroad Co., Cons. Mtg. 4½%, 1960.....	1,000,000.00	1,030,793.77
Pennsylvania Railroad Co., Gen. Mtg., Series A, 4½%, 1965.....	7,217,000.00	6,791,861.88
Pennsylvania Railroad Co., Gen. Mtg., Series B 5%, 1968.....	4,830,000.00	4,727,267.05
Peoria & Eastern Ry. Co., 1st Cons. Mtg. 4%, 1940.....	1,409,000.00	1,398,987.18
Pere Marquette Ry. Co., 1st Mtg. 4%, 1959.....	923,000.00	775,107.79
Pere Marquette Ry. Co., 1st Mtg. 5%, 1956.....	3,253,900.00	3,168,779.31
Southern Pacific R. R. Co., 1st Ref. Mtg. 4%, 1955.....	3,533,000.00	3,395,467.67
Southern Ry. Co., 1st Cons. Mtg. 5%, 1994.....	2,350,000.00	2,718,872.74
St. Louis, Iron Mountain & Southern Ry. Co., River & Gulf Div. 1st Mtg. 4%, 1933 (Bankers Trust Co., N. Y. Cdfs.).....	2,450,000.00	*1,568,000.00

Bonds Owned December 31, 1933—Continued

U. S. A. RAILROAD BONDS—Continued

	Par value	Admitted asset value
St. Louis, Peoria & North Western Ry. Co., 1st Mtg. 5%, 1948.....	\$200,000.00	*\$34,000.00
St. Paul Union Depot Co., 1st & Ref. Mtg., Series A, 5%, 1972.....	500,000.00	423,932.80
Texas & Pacific Ry. Co., 1st Mtg. 5%, 2000.....	350,000.00	420,475.89
Union Pacific R. R. Co., 1st Mtg. R. R. & Land Grant 4%, 1947.....	2,904,000.00	2,918,568.84
Union Pacific R. R. Co., 1st Lien & Ref. Mtg. 4%, 2008.....	3,938,000.00	3,581,793.76
Union Pacific R. R. Co., 1st Lien & Ref. Mtg. 5%, 2008.....	989,000.00	981,582.50
Virginian Railway Co., 1st Lien & Ref. Mtg., Series A, 3½%, 1966.....	1,500,000.00	1,545,666.73
Wabash R. R. Co., Des Moines Div. 1st Mtg. 4%, 1939.....	873,000.00	*183,330.00
Wabash R. R. Co., Omaha Div. 1st Mtg. 3½%, 1941.....	974,000.00	*214,280.00
Wabash R. R. Co., Toledo & Chicago Div. 1st Mtg. 4%, 1941.....	1,131,000.00	*497,640.00
Washington Terminal Co., (D. C.) 1st Mtg. Gold 3½%, 1945.....	200,000.00	200,000.00
Wisconsin Central Ry. Co., 1st Gen. Mtg. (Chase National Bank, Cfts.) 4%, 1949.....	2,540,000.00	*304,800.00
Wisconsin Central Ry. Co., Superior & Duluth Div. & Term. 1st Mtg. 4%, 1936 (Chase National Bank, Cfts.).....	1,140,000.00	*68,400.00
Total	149,027,100.00	102,713,653.18

CANADIAN RAILROAD BONDS

Canada Southern Ry. Co., Cons. Gold 5%, 1962.....	\$1,582,000.00	\$1,575,464.57
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 20-Yr. Gold 4½%, 1951.....	320,000.00	359,490.17
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 25-Yr. Gold 4½%, 1956.....	3,401,000.00	3,869,541.16
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 30-Yr. Gold 4½%, 1957.....	100,000.00	114,418.91
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 25-Yr. Gold 4¾%, 1955.....	505,000.00	586,381.54
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 40-Yr. Gold 5%, 7/1/1969.....	800,000.00	916,306.17
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 40-Yr. Gold 5%, 10/1/1969.....	1,306,000.00	1,387,640.27
Canadian National Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 40-Yr. Gold 5%, 1970.....	140,000.00	163,490.85
Canadian Northern Ry. Co., Principal and Interest Guaranteed by Dominion of Canada, 25-Yr. Gold 6½%, 1946.....	1,028,000.00	1,168,859.91
Total	9,177,000.00	10,141,593.55

U. S. A. RAILROAD EQUIPMENT TRUST CERTIFICATES

Central of Georgia Ry. Co., Equip. Trust Cfts., Series T, 4%, 1939-1952.....	\$1,302,000.00	\$1,332,803.72
Chicago, Great Western R. R. Co., Equip. Trust Cfts., Series D, 3½%, 1939-1947.....	1,275,000.00	1,279,568.08
Chicago, Milwaukee, St. Paul & Pacific R. R. Co., Equip. Trust Cfts., Series P, 3½%, 1939-1952.....	1,204,000.00	1,229,448.65
Chicago, Milwaukee, St. Paul & Pacific R. R. Co., Equip. Trust Cfts., Series Q, 3½%, 1939-1952.....	1,239,000.00	1,239,711.73
Chicago, Milwaukee, St. Paul & Pacific R. R. Co., Equip. Trust Cfts., Series R, 3½%, 1939-1952.....	1,792,000.00	1,835,342.98
Chicago, Milwaukee, St. Paul & Pacific R. R. Co., Equip. Trust Cfts., Series S, 3¾%, 1939-1953.....	1,118,000.00	1,110,619.34
Chicago & Northwestern Ry. Co., Equip. Trust Cfts., Series Z, 2½%, 1939-1947.....	2,007,000.00	1,937,842.01
Chicago, Rock Island & Pacific Ry. Co., Equip. Trust Cfts., Series R, 3½%, 1939-1947.....	2,040,000.00	2,066,050.94
Denver & Rio Grande Western R. R. Co., Equip. Trust Cfts., Series D, 3½%, 1939-1952.....	931,000.00	912,358.49
Detroit, Toledo & Ironton R. R. Co., Equip. Trust Cfts., Series of 1937, 2¾%, 1939-1947.....	1,800,000.00	1,778,713.78
Illinois Central R. R. Co., Equip. Trust Cfts., Series Q, 4%, 1939-1944.....	6,000,000.00	6,163,424.85
Missouri-Kansas-Texas Ry. Co., Equip. Trust Cfts., Series 1937, 2½%, 1943-1952.....	2,173,000.00	2,097,823.77
Missouri Pacific R. R. Co., Equip. Trust Cfts., Series AA, 3½%, 1939-1946.....	800,000.00	815,901.00
Missouri Pacific R. R. Co., Equip. Trust Cfts., Series BB, 3½%, 1939-1952.....	1,176,000.00	1,179,462.30
New York, Chicago & St. Louis R. R. Co., Equip. Trust Cfts. of 1934, 4%, 1941-1949.....	764,000.00	807,036.45
Pennsylvania Railroad Co., Equip. Trust Cfts., Series E, 4%, 1941 & 1942.....	136,000.00	142,281.05
Pennsylvania Railroad Co., Equip. Trust Cfts., Series F, 4%, 1939-1954.....	8,990,000.00	9,571,447.05
Total	34,747,000.00	35,499,836.19

Bonds Owned December 31, 1938—Continued

U. S. A. PUBLIC UTILITY BONDS

	Par value	Admitted asset value
Alton Water Co., 1st Mtg., Series A, 4½%, 1963.....	\$975,000.00	\$1,036,118.82
Appalachian Electric Power Co., 1st Mtg., 4%, 1963.....	500,000.00	493,902.62
Associated Telephone Co., Ltd., 1st Mtg., Series B, 4%, 1965.....	323,000.00	333,749.11
Bell Telephone Co. of Pennsylvania, 1st & Ref. Mtg., Series C, 5%, 1960, Opt. 1957.....	2,815,000.00	2,842,371.12
Brooklyn Union Gas Co., 1st Cons. Mtg. Gold, 5%, 1945.....	300,000.00	322,268.03
Brooklyn Union Gas Co., 1st Lien & Ref. Mtg. Gold, Series B, 5%, 1957.....	400,000.00	406,413.54
Buffalo Niagara Electric Corp., Gen. & Ref. Mtg., Series C, 3½%, 1967.....	510,000.00	520,656.61
Central Illinois Light Co., 1st & Cons. Mtg., 4½%, 1963.....	1,500,000.00	1,466,662.28
Central Iowa Telephone Co., 1st Mtg. Sinking Fund, 4½%, 1958.....	300,000.00	300,000.00
Central Maine Power Co., 1st & Gen. Mtg., Series G, 4%, 1960.....	500,000.00	495,693.71
Central New York Power Corp., Gen. Mtg., 3½%, 1962.....	1,000,000.00	990,678.25
Central Vermont Public Service Corp., 1st Mtg., Series B, 3½%, 1966.....	325,000.00	331,843.75
Citizens Independent Telephone Co., 1st Mtg., Series A, 4½%, 1961.....	600,000.00	607,968.61
Cleveland Electric Illuminating Co., 1st Mtg., 3½%, 1965.....	1,100,000.00	1,124,550.64
Clinton Water Works Co., 1st Mtg., Series A, 4%, 1962.....	650,000.00	654,870.45
Columbus Ry. Power & Light Co., 1st Mtg. & Collateral Trust, 4%, 1965.....	1,250,000.00	1,266,887.24
Commonwealth Edison Co., 1st Mtg., Series I, 3½%, 1968.....	5,520,000.00	5,717,276.94
Commonwealth Telephone Co., 1st Mtg., Series A, 4%, 1966.....	200,000.00	203,907.35
Commonwealth Water Co., 1st Mtg., Series A, 4½%, 1962.....	1,000,000.00	1,052,285.11
Connecticut River Power Co., 1st Mtg., Series A, Sinking Fund, 3½%, 1951.....	1,500,000.00	1,559,797.42
Consolidated Water Power Co., 1st Mtg., Series A of 1936, 4½%, 1961.....	520,000.00	520,000.00
Consolidated Water Power Co., 1st Mtg., Series B of 1936, 4½%, 1939-1960.....	459,000.00	450,000.00
Consumers Power Co., 1st Mtg., Series of 1936, 3½%, 1970.....	833,600.00	832,397.67
Consumers Power Co., 1st Mtg., Series of 1937, 3½%, 1967.....	167,000.00	176,393.75
Detroit Edison Co., Gen. & Ref. Mtg., Series F, 4%, 1965.....	1,582,000.00	1,633,295.47
Detroit Edison Co., Gen. & Ref. Mtg., Series G, 3½%, 1966.....	75,000.00	79,606.27
Edison Electric Illuminating Co. of Boston, 1st Mtg., Series A, Sinking Fund, 3½%, 1965.....	50,000.00	53,643.70
Great Northern Power Co., 1st Mtg., Gold, 5%, 1950.....	475,000.00	475,745.90
Hazleton Water Co., 1st Mtg., Series A, 4½%, 1958.....	300,000.00	300,000.00
Idaho Power Co., 1st Mtg., 3½%, 1967.....	1,000,000.00	988,130.47
Indianapolis Power & Light Co., 1st Mtg., 3½%, 1968.....	1,510,000.00	1,534,227.91
Inter-State Water Co., 1st Mtg., 4½%, 1952.....	875,000.00	875,000.00
Iowa Electric Light and Power Co., 1st Mtg., Series D, 4½%, 1955.....	250,000.00	250,000.00
Iowa Electric Light and Power Co., 1st Mtg., Series E, 4%, 1955.....	205,000.00	212,172.79
Iowa Power and Light Co., 1st Mtg., 4%, 1968.....	1,000,000.00	1,026,974.21
Kansas Power and Light Co., 1st Mtg., 4½%, 1965.....	1,461,000.00	1,502,110.87
La Crosse Telephone Corp., 1st Mtg., Gold, Series A, 5½%, 1948.....	39,000.00	39,610.95
Lake Superior District Power Co., 1st Mtg., Series A, 3½%, 1966.....	500,000.00	471,953.58
Long Island Lighting Co., 1st Ref. Mtg., Gold, Series C, 4%, 1960.....	1,000,000.00	1,000,000.00
Long Island Lighting Co., 1st Ref. Mtg., Gold, Series D, 4%, 1961.....	1,000,000.00	1,037,065.45
Long Island Lighting Co., 1st Ref. Mtg., Series E, 4%, 1963.....	2,000,000.00	2,079,367.18
Lorain Telephone Co., 1st Mtg., 25-Yr. Series B, 4%, 1963.....	1,000,000.00	1,044,911.65
Madison Gas and Electric Co., 1st Mtg., 4%, 1960.....	1,275,000.00	1,350,126.94
Michigan Associated Telephone Co., 1st Mtg., Series A, 4%, 1968.....	106,000.00	108,109.29
Middle States Telephone Co. of Illinois, 1st Mtg., Sinking Fund, Series A, 4½%, 1963.....	950,000.00	950,000.00
Milwaukee Gas Light Co., 1st Mtg., 4½%, 1967.....	1,359,000.00	1,315,515.08
Minneapolis Gas Light Co., 1st Mtg., 4%, 1950.....	640,000.00	654,246.49
Mississippi Valley Public Service Co., 1st Mtg., 4%, 1963.....	500,000.00	507,500.00
Missouri Telephone Co., 1st Mtg., Series C, 4½%, 1961.....	471,000.00	479,719.15
New England Telephone & Telegraph Co., 1st Mtg., Series B, 4½%, 1961, Opt. 1958.....	1,272,000.00	1,215,027.93
New Hampshire Gas and Electric Co., 1st Mtg., Series A, 4½%, 1963.....	500,000.00	577,187.47
New Orleans Public Service, Inc., 1st & Ref. Mtg., Series B, 5%, 1955.....	1,500,000.00	1,449,474.60
New York Edison Co., Inc., 1st Lien & Ref. Mtg., Series D, 3½%, 1965.....	840,000.00	840,000.00
New York Steam Corp., 1st Mtg., 3½%, 1963.....	1,500,000.00	1,500,000.00
Niagara Falls Power Co., 1st & Ref. Mtg., Series of 1936, 3½%, 1966.....	550,000.00	572,766.34
Northern States Power Co., 1st & Ref. Mtg., 3½%, 1967.....	2,025,000.00	2,022,009.13
Ohio Edison Co., 1st Mtg., Series of 1935, 4%, 1965.....	425,000.00	433,463.79
Ohio Power Co., 1st Mtg., 3½%, 1968.....	980,000.00	994,398.83
Oklahoma Gas & Electric Co., 1st Mtg., 3½%, 1966.....	1,160,000.00	1,176,100.69
Oklahoma Natural Gas Co., 1st Mtg., Series A, 4½%, 1951.....	1,385,000.00	1,394,963.89
Oregon-Washington Telephone Co., 1st Mtg., Sinking Fund, 4½%, 1958.....	400,000.00	400,000.00
Pacific Gas and Electric Co., 1st & Ref. Mtg., Series G, 4%, 1964.....	550,000.00	550,000.00
Pacific Gas and Electric Co., 1st & Ref. Mtg., Series H, 3½%, 1961.....	2,450,000.00	2,505,519.05
Pacific Telephone and Telegraph Co., Ref. Mtg., Series B, 3½%, 1966.....	482,000.00	488,400.58
People's Gas Light and Coke Co., 1st & Ref. Mtg., Series D, 4%, 1961.....	800,000.00	780,316.80
People's Gas Light and Coke Co. of Chicago, 1st Cons. Mtg. Gold 6%, 1943.....	75,000.00	81,356.63
Peoples Gas Light and Coke Co. of Chicago, Ref. Mtg. Gold 5%, 1947.....	594,000.00	659,336.98
Philadelphia Electric Co., 1st & Ref. Mtg., 3½%, 1967.....	345,000.00	357,563.94
Public Electric Light Co., 1st Mtg., Series C, 4½%, 1961.....	300,000.00	300,000.00
Public Service Co. of New Hampshire, 1st Mtg., Series C, 3½%, 1960.....	750,000.00	771,774.32
Public Service Co. of Northern Illinois, 1st Mtg., 3½%, 1968.....	4,670,000.00	4,834,717.75
Public Service Electric and Gas Co., 1st Ref. Mtg., 3½%, 1968.....	360,000.00	376,772.19
Queens Borough Gas and Electric Co., Ref. Mtg., 4%, 1961.....	1,962,000.00	2,036,202.00

Bonds Owned December 31, 1938—Continued

U. S. A. PUBLIC UTILITY BONDS—Continued

	Par value	Admitted asset value
Richmond Home Telephone Co., Inc., 1st Mtg., Series A, 4%, 1963.....	\$700,000.00	\$707,060.00
Rochester Gas and Electric Corp., Gen. Mtg. Gold, Series F, 4%, 1960....	1,750,000.00	1,788,337.97
Rochester Gas and Electric Corp., Gen. Mtg., Series I, 3½%, 1967.....	107,000.00	111,212.75
Safe Harbor Water Power Corp., 1st Mtg. Sinking Fund Gold 4½%, 1979..	50,000.00	52,428.05
St. Joseph Railway, Light, Heat & Power Co., 1st Mtg. 4½%, 1947.....	495,000.00	492,844.03
St. Joseph (Mo.) Water Co., 1st Mtg., Series A, 4%, 1966.....	4,300,000.00	305,782.30
San Antonio Public Service Co., 1st Mtg. 4%, 1963.....	1,000,000.00	991,179.84
Santa Barbara Telephone Co., 1st Mtg., Series C, 3½%, 1966.....	474,000.00	487,805.74
Southwestern Bell Telephone Co., 1st & Ref. Mtg., Series C, 3%, 1968...	1,000,000.00	1,000,000.00
Toledo Edison Co., 1st Mtg. 3½%, 1968.....	1,203,000.00	1,222,784.50
Tri-County Telephone Co., 1st Mtg. Sinking Fund, Series B, 4½%, 1956....	250,000.00	254,707.72
Union Electric Co. of Missouri, 1st Mtg. & Collateral Trust, 3¾%, 1962....	500,000.00	500,000.00
United Telephone Co. of Pennsylvania, 1st Mtg., Series A, 4%, 1963.....	500,000.00	507,495.67
Virginia Electric and Power Co., 1st Mtg., Series B, 3¼%, 1968.....	1,907,000.00	1,985,843.18
Warren Telephone Co., 1st Mtg., Sinking Fund, 4½%, 1963.....	800,000.00	831,428.17
Washington Gas Light Co., Ref. Mtg. 4%, 1963.....	1,500,000.00	1,514,289.48
Wisconsin Electric Power Co., 1st Mtg. 3½%, 1968.....	6,000,000.00	6,211,122.02
Wisconsin-Michigan Power Co., 1st Mtg. 3¾%, 1961.....	500,000.00	513,633.58
Wisconsin-Minnesota Light and Power Co., 1st & Ref. Mtg. Gold 5%, 1944.....	125,000.00	128,541.86
Wisconsin Power and Light Co., 1st Mtg., Series A, 4%, 1966.....	1,000,000.00	995,048.97
Wisconsin Public Service Corp., 1st Mtg. 4%, 1961.....	2,069,000.00	2,062,924.32
Wisconsin Valley Improvement Co., 1st Mtg., Series A, 5%, 1939-1965....	270,000.00	270,000.00
Wisconsin Valley Improvement Co., 1st Mtg., Series B, 4½%, 1939-1965....	326,000.00	326,000.00
Total.....	91,571,000.00	93,239,913.43

CANADIAN PUBLIC UTILITY BONDS

Bell Telephone Co. of Canada, Ltd., 1st Mtg. Gold, Series B, 5%, 1957....	\$372,000.00	\$436,505.65
Bell Telephone Co. of Canada, Ltd., 1st Mtg. Gold, Series C, 5%, 1960....	82,000.00	98,424.62
Matineau Power Co., 1st Mtg. Gold, 5%, 1958.....	2,000,000.00	2,009,462.87
MacLaren-Quebec Power Co., 1st Mtg., Sinking Fund, Series A, 5½%, 1961.....	500,000.00	*515,000.00
Saguenay Power Co., Ltd., 1st Mtg., Series A, 4½%, 1966.....	2,000,000.00	2,000,000.00
Shawinigan Water & Power Co., 1st Mtg. & Collateral Trust Gold, Series A, 4½%, 1967.....	86,000.00	88,098.82
Total.....	5,040,000.00	5,147,491.96

U. S. A. INDUSTRIAL BONDS

General American Tank Car Corp., Equipment Trust, Series 27, 4%, 1939-1945.....	\$700,000.00	\$700,000.00
Kimberly-Clark Corp., 1st Mtg. Sinking Fund, Series of 1937, 4½%, 1952..	972,000.00	972,000.00
Stoux City Stock Yards Co., 1st Mtg. 15-Yr. 4%, 1951.....	500,000.00	500,000.00
Total.....	2,172,000.00	2,172,000.00

SUMMARY

	Par value	Admitted asset value
U. S. A. Government Bonds.....	\$96,705,000.00	\$99,231,304.85
U. S. A. Government Guaranteed Bonds.....	42,051,400.00	42,074,041.07
Canadian Government Bonds.....	7,896,000.00	7,787,546.38
U. S. A. State, County, and Municipal Bonds.....	202,515,521.75	212,088,704.65
Canadian Provincial and Municipal Bonds.....	34,316,000.00	33,913,045.27
U. S. A. Railroad Bonds.....	149,027,100.00	102,713,653.18
Canadian Railroad Bonds.....	9,177,000.00	10,141,593.55
U. S. A. Railroad Equipment Trust Certificates.....	34,747,000.00	35,499,836.19
U. S. A. Public Utility Bonds.....	91,571,000.00	93,239,913.43
Canadian Public Utility Bonds.....	5,040,000.00	5,147,491.96
U. S. A. Industrial Bonds.....	2,172,000.00	2,172,000.00
Total.....	675,218,021.75	644,009,131.63

(Items *—At market prices.)

For basis of all bond valuations see explanation on page 13 and Auditors' report on page 22.

GENERAL AGENTS OF THE COMPANY

- Arizona: C. S. McMartin, 411 Title & Trust Bldg., 114 W. Adams Street, Phoenix.
(See New Mexico.)
- Arkansas: Harry D. Emmert, Northwestern Part. (See Oklahoma.)
- California:
J. A. Carlson, Tenth Floor California Bldg., 1736 Franklin Street, Oakland.
J. H. Kemp, 312 Elks Bldg., 42 N. Sutter Street, Stockton. (See Nevada.)
W. K. Murphy, 317 Edwards & Wildey Bldg., 609 S. Grand Avenue, Los Angeles.
R. J. Shipley, 200 Chancery Bldg., 564 Market Street, San Francisco.
- Colorado: A. B. Ballah, 310 First National Bank Bldg., 818 17th Street, Denver.
(See Wyoming.)
- Connecticut: Glenn B. Dorr, 100 Hartford National Bank & Trust Co. Bldg., 36 Pearl Street, Hartford.
- Delaware: Hergesheimer & Finkbinder. (See Maryland and Pennsylvania.)
- District of Columbia: R. L. Baldwin, 632 Investment Bldg., 1511 K Street, N. W., Washington. (See Maryland and Virginia.)
- Georgia: Luther E. Allen, 200 Peachtree Arcade Bldg., 6 Peachtree Street, Atlanta.
- Idaho:
E. A. Crooks, 302 Noble Bldg., 1003½ Main Street, Boise. (See Oregon.)
Chas. C. Guilford, Counties of Bear Lake, Franklin, and Oneida. (See Nevada and Utah.)
John G. Reinhardt, Counties of Benewah, Bonner, Boundary, Clearwater, Idaho, Kootenai, Latah, Lewis, Nez Perce, and Shoshone. (See Washington.)
- Illinois:
E. E. Cantrall, 2nd Floor, Ferguson Bldg., 524 E. Monroe Street, Springfield.
J. H. Copeland, County of Rock Island. (See Iowa.)
C. R. Garrett, 706 Commercial Merchants Bank Bldg., 301 S. Adams Street, Peoria.
Hobart & Oates, 208 S. LaSalle Street, Chicago.
E. A. Kohl, 2nd Floor, Northwestern Bldg., 200 W. Main Street, Belleville.
B. J. Stumm, Conservatory Bldg., 75 Stolp Avenue, Aurora.
- Indiana:
H. L. Cramer, 415 Union Trust Bldg., 202 S. Michigan Street, South Bend.
E. A. Crane, 625 Occidental Bldg., 41 W. Washington Street, Indianapolis.
B. A. Million, 1001 Hulman Bldg., 24 N. W. Fourth Street, Evansville.
- Iowa:
Scott M. Burpee, 626 Insurance Exchange Bldg., 507 7th Street, Sioux City.
J. H. Copeland, 301 First National Bank Bldg., 203 W. 2nd Street, Davenport. (See Illinois.)
J. J. Hughes, 633 Insurance Exchange Bldg., 505 5th Avenue, Des Moines.
R. H. Pickford, 510 Security Bldg., 203 2nd Street, S. E., Cedar Rapids.
- Kansas:
Henry W. Laffer, 625 First National Bank Bldg., 106 W. Douglas Ave., Wichita.
G. V. Metzger, 601 Commercial National Bank Bldg., 601 Minnesota Avenue, Kansas City.
- Kentucky:
R. F. Clendenin, 1146 Starks Bldg., 455 S. Fourth Street, Louisville.
W. H. Honeycutt, Richards Bldg., 135 Main Street, Glasgow.
W. J. Mack, Counties of Boone, Campbell, and Kenton. (See Ohio.)
- Maine: A. L. & W. B. Cushman, 507 Chapman Bldg., 477 Congress Street, Portland.
- Maryland:
R. L. Baldwin, Counties of Charles, Montgomery, Prince Georges, and Saint Marys. (See District of Columbia and Virginia.)
Hergesheimer & Finkbinder, Counties of Caroline, Cecil, Dorchester, Kent, Queen Annes, Somerset, Talbot, Wicomico and Worcester. (See Delaware and Pennsylvania.)
Russell L. Law, S. E. Corner, Light & Redwood Streets, Baltimore. (See West Virginia.)

Massachusetts:

- V. D. Griffin, Part of Middlesex and Essex Counties. (See New Hampshire and Vermont.)
 O. F. Heyman, 404 Security Bldg., 44 Vernon Street, Springfield.
 E. T. Lothgren, Counties of Barnstable, Bristol, Dukes, Nantucket, and Plymouth. (See Rhode Island.)
 Nelson D. Phelps, Suite 920, 50 Congress Street, Boston.

Michigan:

- Ira Blossom, 614 Association of Commerce Bldg., 5 Lyon Street, N. W., Grand Rapids.
 W. Roy Bryant, 1104 American National Bank Bldg., 136 E. Michigan Avenue, Kalamazoo.
 C. R. Eckert, 1300 Union Guardian Bldg., 500 Griswold Street, Detroit.
 Gain M. Stinson, 312 Paterson Bldg., 653 S. Saginaw Street, Flint.
 P. G. Teeple, Second Floor, Union National Bank Bldg., 100 N. Front Street, Marquette.

Minnesota:

- S. A. Erickson, American Legion Bldg., 201 S. Second Street, Mankato.
 Ralph M. Hamburger, 1145 Northwestern Bank Bldg., 620 Marquette Avenue Minneapolis.
 A. C. Hoene, 1001 Fidelity Bldg., 14 W. Superior Street, Duluth. (See Wisconsin.)
 Langford & Fahey, 400 Guardian Bldg., 86 E. 4th Street, St. Paul.

Missouri:

- Sam C. Pearson, 1200 R. A. Long Bldg., 10th Street and Grand Avenue, Kansas City.
 C. H. Poindexter, 501 Mississippi Valley Trust Bldg., 506 Olive Street, St. Louis.

Montana: G. Clyde Baldwin, 419 First National Bank Bldg., 300 Central Avenue, Great Falls. (See Wyoming.)

Nebraska:

- Kenneth M. Snyder, 411 Barker Bldg., 306 S. 15th Street, Omaha.
 Ralph L. Theisen, 426 Stuart Bldg., 128 N. 13th Street, Lincoln.

Nevada:

- J. H. Kemp, Counties of Churchill, Douglas, Esmeralda, Humboldt, Lander, Lyon, Mineral, Nye, Ormsby, Pershing, Storey, and Washoe. (See California.)
 Chas. C. Guilford, Counties of Clark, Elko, Eureka, Lincoln, and White Pine. (See Idaho and Utah.)

New Hampshire: V. D. Griffin, 72 Market Street, Manchester. (See Massachusetts and Vermont.)

New Jersey:

- Gooding & Rowley, 401 Union Bldg., 9 Clinton Street, Newark. (See New York.)
 J. W. Heinekamp, 617 Broad Street National Bank Bldg., 143 E. State Street, Trenton.
 A. J. Johannsen, New York Metropolitan District. (See New York.)
 C. L. McMillen, New York Metropolitan District. (See New York.)
 Recht & Kutcher, New York Metropolitan District. (See New York.)

New Mexico: C. S. McMartin. (See Arizona.)

New York:

- P. T. Allen, 1025 M. & T. Bldg., 290 Main Street, Buffalo. (See Pennsylvania.)
 L. M. Bull, Bardavon Bldg., 35 Market Street, Poughkeepsie.
 Henry M. Files, 800 Starrett-Syracuse Bldg., 224 Harrison Street, Syracuse.
 E. R. Gettings, 1404 State Bank Bldg., 75 State Street, Albany.
 Gooding & Rowley, New York Metropolitan District. (See New Jersey.)
 A. J. Johannsen, 2108 Montague-Court Bldg., 16 Court Street, Brooklyn. (See New Jersey.)
 S. N. Kenyon, 705 First National Bank Bldg., 187 Genesee Street, Utica.
 E. E. Lincoln, 906 Gas & Electric Bldg., 89 East Avenue, Rochester.
 C. L. McMillen, Eleventh Floor, 347 Madison Avenue, New York City. (See New Jersey.)
 Recht & Kutcher, 1210 Empire State Bldg., 350 5th Avenue, New York City. (See New Jersey.)
 Charles A. Votaw, Counties of Broome and Delaware. (See Pennsylvania.)

North Carolina: L. W. Norton, Room 1611, 111 Corcoran Street, Durham.

North Dakota: E. F. Auman, 16 Huntington Block, 102 Broadway, Fargo.

Ohio:

Clyde O. Law, Counties of Belmont, Jefferson, Meigs, Monroe, and Washington. (See West Virginia.)

William J. Mack, 1204 Carew Tower, 441 Vine Street, Cincinnati. (See Kentucky.)

Merritt Mason, 806 Home Bank Bldg., 240 Huron Street, Toledo.

Reynolds & Engel, 20th Floor, Mutual Home Bldg., 120 W. Second Street, Dayton.

Russell P. Theirbach, 925 N. B. C. Bldg., 815 Superior Avenue, N. E., Cleveland.

Russell E. Werts, 2400 First-Central Tower, 106 S. Main Street, Akron.

S. L. Youngquist, 801 Huntington Bank Bldg., 17 S. High Street, Columbus.

Oklahoma:

Harry D. Emmert, 7th Floor, Tulsa Loan Bldg., 12 E. Fourth Street, Tulsa. (See Arkansas.)

Albert B. Irwin, 1341 First National Bldg., 120 N. Robinson Street, Oklahoma City.

Oregon:

E. A. Crooks, Counties of Baker, Grant, Harney, Malheur, Umatilla, Union, and Wallowa. (See Idaho.)

L. F. Larson, 1309 American Bank Bldg., 621 S. W. Morrison Street, Portland.

Pennsylvania:

P. T. Allen, Counties of Crawford, Erie, McKean, and Warren. (See New York.)

Roger A. Clark, 1801 Clark Bldg., 717 Liberty Avenue, Pittsburgh.

Hergesheimer & Finkeiner, Suite 1007, 1616 Walnut Street, Philadelphia. (See Maryland and Delaware.)

George K. Reynolds, 902 Griest Bldg., 2 N. Queen Street, Lancaster.

Herbert L. Smith, 801 Payne-Shoemaker Bldg., 240 N. Third Street, Harrisburg.

G. G. Vance, 4 Woolworth Bldg., 103 S. Main Street, Greensburg.

Charles A. Votaw, 201 Connell Bldg., 123 Washington Avenue, Scranton. (See New York.)

Rhode Island: E. T. Lothgren, Third Floor, National Bank of Commerce Bldg., 146 Westminster Street, Providence. (See Massachusetts.)

South Dakota: Winslow S. Burnette, 310 Northwest Security National Bank Bldg., 101 S. Main Avenue, Sioux Falls.

Tennessee: E. T. Proctor, 1301 Nashville Trust Bldg., 315 Union Street, Nashville. (See Virginia.)

Utah: Chas. C. Guilford, 910 Continental Bank Bldg., 200 S. Maine Street, Salt Lake City. (See Idaho and Nevada.)

Vermont: V. D. Griffin. (See Massachusetts and New Hampshire.)

Virginia:

R. L. Baldwin, Counties of Arlington, Fairfax, and Loudoun. (See Maryland and District of Columbia.)

W. Tolar Nolley, 9th Floor, Tenth Street Bldg., 6 S. Tenth Street, Richmond.

E. T. Proctor, City of Bristol. (See Tennessee.)

Washington:

John G. Reinhardt, 1022 Paulsen Bldg., 421 Riverside Avenue, Spokane. (See Idaho.)

M. H. O. Williams, 719 2nd Avenue Bldg., 719 2nd Avenue, Seattle.

West Virginia:

Clyde O. Law, 900 Hawley Bldg., 1025 Main Street, Wheeling. (See Ohio.)

Russell L. Law, Counties of Berkeley, Grant, Hampshire, Hardy, Jefferson, Mineral, Morgan, and Pendleton. (See Maryland.)

Wisconsin:

Cameron & Carroll, 703 First National Bank Bldg., 130 Main Street, Oshkosh.

French & Horner, 122 W. Mifflin Street, Madison.

A. C. Hoene, Counties of Ashland, Bayfield, Douglas, and Iron. (See Minnesota.)

Ben S. McGiveran, 300 Union National Bank Bldg., 119 S. Barstow Street, Eau Claire.

Victor M. Stamm, 721 E. Mason Street, Milwaukee.

Wyoming:

- C. Clyde Baldwin, Counties of Big Horn, Campbell, Crook, Hot Springs, Johnson, Park, Sheridan, Washakie, and Weston. (See Montana.)
 A. B. Ballah, Counties of Albany, Carbon, Converse, Fremont, Goshen, Laramie, Lincoln, Natrona, Niobrara, Platte, Sublette, Sweetwater, Teton, Uinta, and Yellowstone National Park. (See Colorado.)

MORTGAGE LOAN AGENTS OF THE COMPANY

California:

- A. H. Alexander, 201, 86 Third Street, San Francisco.
 Arthur C. Hurt, 702 A. G. Bartlett Bldg., 215 West 7th St., Los Angeles.

Colorado: Wm. H. Wadley, 701 Ernest and Cranmer Bldg., 932 17th St., Denver.
 Georgia: John P. Swansen, Representative, 249 Peachtree Arcade, 6 Peachtree St., Atlanta.

Illinois:

- L. H. Becherer, 602 Graham Building, 33 Island Avenue, Aurora.
 Wm. Scott Bond, 1515, 33 N. La Salle Street Bldg., 33 N. La Salle St., Chicago.
 Rufus Freitag, 304 Lincoln Building, 40 Main Street, Champaign.
 Harry C. Luehrs, 502 Ferguson Bldg., 524 E. Monroe St., Springfield.
 J. E. Merrill, 713 Commercial Merchants Bk. Bldg., 305 S. Adams St., Peoria.

Indiana: A. E. Keller, 410 Chamber of Commerce Bldg., 320 N. Meridian St., Indianapolis.

Iowa:

- Jos. G. Hanson, 726 I. O. F. Building, 105 E. State St., Mason City.
 Frank C. Jones, 508 Insurance Exchange Bldg., 505 Fifth Ave., Des Moines.
 G. S. Malone, 508 Insurance Exchange Bldg., 505 Fifth Ave., Des Moines.
 F. D. Mitchell, 630 Insurance Exchange Bldg., 507 7th St., Sioux City.
 J. Guy Mitchell, 504 Security Bank Bldg., 201 S. 2nd Street, Cedar Rapids.

Kansas: Fred B. Knorr, 524 New England Bldg., 501 Kansas Ave., Topeka.

Kentucky: J. A. Livingston (see Tennessee).

Michigan: Earl P. Kehm, 310 Paterson Bldg., 653 S. Saginaw St., Flint.

Minnesota:

- Harold Butcher, 202 Mullen Building, East 6th Street, Morris.
 C. O. Fitts, Addison Bldg., 200 West Main St., Marshall.
 Glenn Gullickson, 942 Metropolitan Bank Bldg., 600 Second Ave. South Minneapolis.

Missouri:

- W. E. Hoag, 415, 1016 Baltimore Bldg., 1016 Baltimore Ave., Kansas City.
 Z. R. Mills, 201 Noll Building, 1406½ West Main Street, Bethany.
 A. W. Swacker, 257 McCoy-Tanner Bldg., 105 E. Center St., Sikeston.
 C. E. Roberts, 1105 Landreth Bldg., 320 N. 4th St., St. Louis.
 R. C. Wetherell, Woolworth Bldg., 100-A No. Jefferson St., Mexico.

Nebraska: T. L. Bumford, 815 First National Bk. Bldg., 1001 O Street, Lincoln.

North Dakota: F. D. Henderson, 604 First National Bk. Bldg., 15 Broadway, Fargo.

Ohio:

- D. Haydn Evans, 1025 The Beggs Building, 21 E. State St., Columbus.
 Karl J. Probeck, 901 N. B. C. Building, 815 Superior Ave., N.E., Cleveland.
 L. D. Reynolds, 1025 The Beggs Building, 21 E. State St., Columbus.
 O. R. Trump, 704 Cook Tower, 125 W. High Street, Lima.
 T. A. Tuttrup, 931 Nicholas Bldg., 608 Madison Ave., Toledo.

Oregon and Washington (Western): D. M. Dow, 2702 Smith Tower, 502 Second Avenue, Seattle.

Pennsylvania: F. L. Lyman, 1216, 1616 Walnut St. Bldg., 1616 Walnut Street, Philadelphia.

South Dakota:

- I. C. Pooley, 513 Security Bank Bldg., 101 S. Main Ave., Sioux Falls.
 George W. Rennix, 501 Capital Building, 413 So. Main St., Aberdeen.
 Len D. Robertson, 303 Natl. Bk. of Huron Bldg., 280 Dakota Ave., So., Huron.

Tennessee: J. A. Livingston, 1009 Cotton States Bldg., 318 6th Ave., N., Nashville.

Washington (Eastern): Murphy, Favre & Nevers, 501 Spokane and Eastern Bldg., 601 Riverside Ave., Spokane.

Wisconsin:

- O. W. Rewey, Cloverland State Bk. Bldg., 226 S. Central Ave., Marshfield.
 F. K. Thomas, 625 St. Bk. of Wisconsin Bldg., 3 W. Main St., Madison.
 E. C. Wöklund, 310 Union Natl. Bank Bldg., 131 S. Barstow St., Eau Claire.

EXHIBIT No. 293

(From files of Northwestern Mutual Life Insurance Co.)

MINUTES OF MEETING OF EXAMINING COMMITTEE OF POLICYHOLDERS OF THE
NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

The first meeting of the examining committee of policyholders was held at the home office of the Northwestern Mutual Life Insurance Co., in Milwaukee, Wis., on Monday, November 7, 1938, at 10 a. m.

Present: Mr. James K. Watkins, Mr. William N. Smith, Mr. Frank C. Brophy, Mr. Wallace Davis, Mr. George B. Luhman.

After being welcomed by Mr. Cleary, president, and discussing at some length the duties of the committee, the committee proceeded to choose as chairman, Mr. James K. Watkins, and as secretary, Mr. George B. Luhman.

Mr. Shepard E. Barry, comptroller of the company, discussed at length with the committee the requirements covering the audit of the books and the procedure usually followed in selecting an auditing firm to make an examination of them.

The committee considered at length the nature and extent of the investigation and inquiries to be made into the general policies and methods of the company and its several departments.

During the noon recess luncheon was had by the members of the committee with Mr. Cleary, president, and other officers, as follows: Mr. F. W. Walker, vice president; Mr. H. D. Thomas, vice president; Mr. Percy H. Evans, vice president and actuary; Mr. Edmund Fitzgerald, vice president; Dr. D. E. W. Wenstrand, medical director.

At the conclusion of the luncheon recess, consideration was given to the employment of an auditing firm to make a balance sheet audit of the books of the company. The following representatives of auditing companies appeared in person and presented their respective proposals with charges, showing maximum total charge and per diem for principal, senior, and junior accountants, as follows:

	Total	Per diem	Additional work per diem
1. Mr. Wagner, representing Arthur Anderson & Co., Milwaukee.....	\$8,500	\$50-30-20	Same.
2. Mr. John J. Lauer, of Chicago, representing Crawford & Co.....	12,000	50-35-20	Do.
3. Mr. Hippard, of New York, representing Joseph Froggatt & Co., Inc.	12,500	50-30-20	Do.
4. Mr. Erb, representing Haskins & Sells, Milwaukee.....	9,500	{ 75-35-20 } 50 -	Do.
5. Mr. H. A. Sinclair, representing Peat, Marwick, Mitchell & Co., Milwaukee.	10,000	50-30-20	Do.
6. Mr. Patterson, representing Wolf & Co., Milwaukee.....	13,600	50-25-15	Do.

After extended and deliberate consideration it was, upon motion duly made, seconded, and carried, voted to employ Peat, Marwick, Mitchell & Co., in accordance with the terms of their proposal, and the chairman of the committee was authorized to accept such proposal in behalf of the committee.

Upon motion duly made and carried it was voted to adjourn until 10 a. m., Tuesday, November 8, 1938.

GEORGE B. LUHMAN, *Secretary*.

MINUTES OF MEETING OF EXAMINING COMMITTEE OF POLICYHOLDERS OF THE
NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

Meeting of the examining committee of policyholders of the Northwestern Mutual Life Insurance Co. was held at the home office of the company on Tuesday, November 8, 1938, pursuant to adjournment taken on Monday, November 7, 1938.

Present: Mr. James K. Watkins, Mr. William N. Smith, Mr. Frank C. Brophy, Mr. Wallace Davis, Mr. George B. Luhman.

Extended discussion was had with Mr. Cleary, president, covering the policies, methods, and procedure of the company.

Mr. Frederick W. Walker, vice president, presented to the committee in detail a report covering the policies and methods preliminary to the purchase of bonds, the procedure following authorization, the steps taken in connection with research

work done covering the securities held by the company, and method pursued by the finance committee in reviewing and retaining or selling securities.

Upon motion duly made and carried it was voted to adjourn until Monday, December 19, 1938.

GEORGE B. LUHMAN, *Secretary*.

MINUTES OF MEETING OF POLICYHOLDERS' EXAMINING COMMITTEE OF THE
NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

Meeting of policyholders' examining committee of the Northwestern Mutual Life Insurance Co. was held at the home office of the company on Monday, December 19, 1938, at 10 o'clock a. m., pursuant to adjournment.

Present: Messrs. Wallace M. Davis, George B. Luhman.

It was reported to the meeting that Mr. William N. Smith was unable to be present on account of illness.

Mr. James K. Watkins was detained because of the protracted trial of some litigation in Federal court in Detroit.

Mr. Frank C. Brophy was unable to attend on account of conflicting engagements.

Mr. Hall, one of the New York partners of Peat, Marwick, Mitchell & Co., attended the meeting with Mr. Sinclair and Mr. Liebsherr, directly in charge of the audit, and presented their report of progress.

Each recommendation covering the centralization of audit and control was discussed at length. Consideration was given to the real estate owned by the company, with particular emphasis on the large pieces of business property in the various cities throughout the country.

Mr. Fitzgerald, vice president, discussed at some length the problem involved in handling city real estate and large city mortgage loans.

It was upon motion voted to adjourn until Wednesday, January 18, 1939, at 10 o'clock a. m.

GEORGE B. LUHMAN, *Secretary*.

MINUTES OF MEETING OF POLICYHOLDERS' EXAMINING COMMITTEE OF THE
NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

Meeting of the policyholders' examining committee of the Northwestern Mutual Life Insurance Co. was held at the home office of the company in Milwaukee, Wis., on Wednesday, January 18, 1939, at 10 a. m., pursuant to adjournment.

Present: Messrs. James K. Watkins, Wallace M. Davis, Frank C. Brophy, George B. Luhman.

After a preliminary conference with Mr. Cleary, president, and Mr. Fitzgerald, vice president, the committee continued its investigation.

Mr. Frederick W. Walker, vice president, discussed at length the investment standards of the company and assured the committee that those standards have not changed in the last 10 years. He explained that securities which 10 years ago the company would not go to the trouble and expense of investigating exhaustively before purchasing were now considered because of the difficulty in securing satisfactory investments, and that if after such exhaustive investigation the securities did not meet the standards of the company they were not purchased but that in many instances such investigation revealed the fact that the securities met such standards.

Industrial bonds are not purchased generally for the reason that the company has not yet set up an industrial bond department, and that the difficulties in watching industrials and anticipating trends is much greater than those encountered in servicing utility or municipal bonds. In the industrial field there is practically no assurance of continuity of demand for product, or the fact that invention, discovery, or competition may not put out of business any item which is now widely used.

Interest rates must necessarily change, but no one can now anticipate when such a change will take place or the extent of it when it comes. With the broad investment policy applicable to large funds with rotating maturities, and new funds available continually, the change in rates is not so serious as it otherwise might be for the reason that the resulting average is not radically thrown out of line by any temporary fluctuations.

It appears to the management that the bond holdings take up too large a percentage of the portfolio at present, and an effort is made to secure all satisfactory mortgage loans which are available.

Electric utility outlook is favorable. There is little fear of competition, and as population increases and industry increases the demands for electricity must continue.

The company does not have any fixed limit on any one investment. In a few instances the company might purchase an entire bond issue and in others, of course, only a small portion of the entire issue.

Messrs. Hall and Sinclair, of Peat, Marwick, Mitchell & Co., presented to the committee the report made by them supplemental to the report of December 8, 1938. Each of the suggestions and recommendations concerning the centralization of control, and the centralization of audit functions in the comptroller's office, was discussed at length.

Deliberate consideration was given to the so-called condensed income and disbursement statement published in the annual report. It was pointed out that the income items set forth are not all income, and the disbursement items included are not properly called disbursements. The fact that the form is prescribed by the insurance department was not lost sight of, but in spite of the fact that the statement may be perfectly clear to insurance department officials, it was pointed out that erroneous inferences might be drawn and unwarranted conclusions reached by policyholders or others not familiar with insurance accounting methods.

Luncheon was had with Messrs. Cleary, president; Swansen, Thomas, and Fitzgerald, vice presidents; Dr. D. E. W. Wenstrand, medical director; Mr. Anderson, secretary; and Mr. Barry, comptroller.

Mr. Thomas, vice president in charge of the mortgage loan department; discussed at length the policy of the company in respect of mortgage loans. Lengthy consideration was had covering the Federal Housing Administration loans now being made by the company. It was explained that while the loans themselves might be for 80 or perhaps as much as 90 percent of the cost of the property, they were insured and the debentures obtainable in the event of default without foreclosure being necessary were guaranteed unconditionally by the Treasury Department of the United States, so that there was little if any likelihood of any loss to the company. It is understood that the finance committee has determined that not more than \$10,000,000 of such loans will be made without additional deliberate consideration on the part of the committee.

Inquiry was made in respect of the large number of loans to various Catholic units during the past few years, and the method of investigation, check on the organization making the loan, availability of funds, and ability to service and amortize the loan was gone into at great length. It appears that the record of the company on these loans has been most satisfactory and that in many instances the loans have been paid off before maturity.

Farm mortgage loans were considered and it was stated that the troubles on farm mortgages are nearly over. Farm conditions are much better and sales of farms have been made at satisfactory prices. Difficulties with city business real estate have not yet cleared up and apparently the outlook isn't as good as it is on the farm lands. If business in the cities picks up, then city sales will be possible and the situation will be much better.

Practically all of the loan agents of the company are salaried employees of the company, and their earnings do not depend upon the number of loans which they are able to induce the company to make.

Sales of farm lands were discussed, with figures showing the loss or gain. In the 9 years from 1929 to 1937 2,997 farms were sold for \$23,258,165.77. The total cost was \$23,275,048.76, showing a loss to the company of \$18,883.19. These farms had been written down, however, from time to time, so that in spite of the loss there was a gain in asset value on the books of the company, after the sales were completed, of \$2,696,096.85. The company follows the practice in every instance of writing the property down periodically to get as close as possible to its market value.

The farms owned in South Dakota were given deliberate consideration and it was explained that one or two good crops would produce a market for most of these holdings.

In connection with some of the western mortgages it has been found necessary to cooperate with owners in purchasing cattle and other equipment for profitable operation of the properties. Such purchases are charged directly to expense during the current year and are not at all capitalized on the books of the company.

These investments should result in substantial recoveries at some time, and would then appear as other income in the statements of the company. When other real-estate holdings are sold, and the items have been materially written down, there will be additional recoveries for the company. When and if business returns to anything like a normal basis, there should be very substantial recovery.

The Northwestern does not carry fire and tornado insurance upon its farm properties. This means that it carries its own insurance. So far its losses have been less than one-half of what the premiums would have been if ordinary insurance had been carried, as is the usual practice of small owners.

City real estate was discussed, with special consideration to the larger items appearing in the auditor's report. The company has found it necessary to build up a city real-estate managing department, and has even gone so far as to maintain a branch office in Chicago, where there are three men and three women employed. The city business property real estate is one of the major difficulties now confronting the company and it will take some years to work it out. Very generous write-downs have taken place upon all of the properties. No reasonable offer for city property is declined.

Mr. Philip K. Robinson, director of municipal bond research department, discussed at length the methods and procedure used in purchasing and servicing municipal bonds.

Special attention was given to the bonds recently purchased which are serviced by the revenue from university dormitories or health service buildings. It is considered that these loans are especially desirable because of the rate of interest and positive assurance of payment on a serial maturity basis.

Mr. Grant L. Hill, director of agencies, explained to the committee the agency relationships of the company. All agents get exclusive territory, except in metropolitan New York, where there are now four general agents. The difference between the branch office and managerial basis of agencies, and the general contract basis adopted by the Northwestern, was explained.

Most general agents are recruited from the agency ranks of the company. Only occasionally is an agent secured from some other company.

The acquisition cost of insurance was discussed, and the commissions payable to agents are as follows:

The solicitor agent gets 50 percent of the first year's premium, with 5 percent of each premium renewal for 9 years. The general agent, upon whose staff the solicitor agent works, gets 5 percent of the first year's premium, 12½ percent of the second year's premium, and 7½ percent of the next 8 years' premiums. After that period of time the general agent gets a 2-percent collection fee. All general agents are bonded to the company, and all solicitor agents work directly for the so-called general agents. The solicitor agents are not employees of the home office.

The committee adjourned to resume at 10 o'clock a. m., on Thursday, January 19, 1939.

GEORGE B. LUHMAN, *Secretary.*

MINUTES OF MEETING OF POLICYHOLDERS' EXAMINING COMMITTEE OF THE NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

Pursuant to adjournment on Wednesday, January 18, 1939, meeting of the Policyholders' Examining Committee was held on Thursday, January 19, 1939, at 10 a. m.

Present: Messrs. James K. Watkins, Wallace M. Davis, Frank C. Brophy, George B. Luhman.

Mr. Evans, vice president and actuary, explained to the committee at length the operations of his department and its duties and functions. Contracts of the company are worked out by the actuary's department, which is in fact the engineering department of an insurance company. It calculates premium rates, keeps track of risks, calculates liability, makes policy loans and collects interest thereon. During the year 1932 the department paid out \$70,000,000 in cash on policy loans.

The actuaries make the computations on dividends and recommend their payment. Two clerks operating machines can now make all of the computations in 8 or 10 days while it used to take 18 or 20 clerks 30 to 60 days to do it by hand. Mr. Evans assures us that his department is taking advantage of every new mechanical method of operation which can be economically employed by the company.

The method and extent of loading on premiums was explained, and the mortality experience of the company as set forth upon the reports was considered at length. Premiums are presently loaded about 22 percent, with 61 percent or 62 percent of the premium going for expense, and one-third of it returned to the policyholder in the form of a dividend.

The American Experience Mortality Table is out of date and has been for many years, but considering the fact that it is used only as a standard basis for computation there is no serious objection to its present use.

Dr. D. E. W. Wenstrand, medical director, informed the committee of the functions of his department and the methods of operation. His department really selects the risks of the company. No substandard risks are taken. Many other companies have a standard form of writing substandard risks with adjustment of rates applicable to the additional risks. The Northwestern does not indulge in that type of business. Family history is most important, but sometimes there is difficulty in getting it correctly. With the aid, however, of credit agencies and other investigators all information is carefully checked by the company. All insurance companies exchange information covering impairments and applications declined.

Overweight is one of the danger signals after a person reaches 40. Weight, blood pressure, and the use of alcohol are determining factors in accepting risks.

The company has 3,800 active examiners. In 1938 the mortality rate was 56 percent and in 1937 it was 55.31. Mortality tables are based on insured lives, and not upon public generally.

The company does not write Army or Navy officers because they move about too much, are unstable in their activities, and sometimes acquire questionable habits. Aviators are entirely out, as are all railroad operating men except conductors.

During the month of December 1938 the medical department approved 11,000 applications for insurance. There are seven doctors in the department. About 40 percent of all applications for insurance come from previous policyholders, and this, in itself, gives an opportunity to check up risks and makes risks health-conscious, so that it results in favorable mortality record.

Mr. Evans, vice president and actuary, resumed his conference with the committee and explained that the dividend rate depended upon interest earnings, mortality savings, and expense of the company. The mortality saving has not fluctuated very much in the past few years. The Northwestern has enjoyed a much more favorable record than many other companies because of their selected risks. The expense item has gone up somewhat in the past few years but not enough to affect seriously the dividends paid. The write-offs on securities, and the losses taken, have, during the past few years, eaten up about \$10,000,000 a year of income. A very substantial part of this may be recovered when the railroad bonds come back, or the farms or city real estate are advantageously sold.

On January 1, 1939, the guaranteed rate under policies was reduced from 3 to 2½ percent on funds left with the company. This has been necessary because of the reduction in the interest earned on the company's funds.

The company employs 1,505 full-time employees in its home office, and 101 part-time employees, making a total of 1,606. There are 197 full-time loan agents, which results in a total staff of 1,803. About 55 percent are women, and 45 percent are men. There are more than 600 employees in the secretary's department; 240 in the actuary's department; and 52 in the office of the general counsel.

The employees work 7 hours a day and 5 days a week.

Mr. Barry, the comptroller, discussed with the committee the various fidelity bonds upon the officers and employees, as well as the burglary and theft bonds covering the securities.

Mr. Wilman took the committee through the securities vault and explained the various types of protection around the vault and the system adopted in checking securities in and out and making shipments.

Mr. Cleary, president, discussed at length the various recommendations of the auditors covering the centralized control and general-audit function and duties.

Labor relations were inquired into and the history of the independent union was explained to the committee. Mr. Cleary stated that it had worked out very satisfactorily and from the company point of view it was better to deal with the group as a group than with individuals. At the time the union came into existence in January 1937 adjustments in pay roll were necessary to the extent of about \$260,000 but since that time, due to changes in personnel, the pay roll is almost back to the 1937 figure.

The pension plan was presented to the committee, which permits voluntary retirement at 65 and compulsory retirement at 70, with certain exceptions for the older employees who were past 60 on January 1, 1937.

The city real-estate problem with specific attention to particular large loans was discussed with Mr. Cleary and the committee was assured that there would be little, if any, loss in the aggregate upon the holdings. The policy of the company is to get rid of the real estate as soon as a sale at a fair price can be made. Fair price does not mean a profit, but properties are not sold at sacrifice prices just for the purpose of getting rid of them. The company does not want to retain property for the purpose of making a profit or producing income, but it sometimes must manage it until a fair price is obtainable.

It is not the policy of the company now to make extremely large loans. The Palmer House property at the time the loan was made had a cost of about \$42,000,000.

The Starrett Building in Cincinnati has been taken over by the Emery family, of Philadelphia, and is now in good standing.

Mr. Cleary explained to the committee his attitude toward large, multiple-housing Federal Housing Administration loans, and assured the committee that in his judgment there would be no loss eventually on any of these loans.

The home office space is adequate for a normal 20-year growth. The growth of the company immediately after the war was most abnormal, but no such additional growth is now anticipated.

The committee adjourned until Friday, January 20, 1939, at 10 o'clock a. m.

GEORGE B. LUHMAN, *Secretary*.

MINUTES OF MEETING OF POLICYHOLDERS' EXAMINING COMMITTEE OF THE NORTHWESTERN MUTUAL LIFE INSURANCE CO., MILWAUKEE, WIS.

Adjourned meeting of the policyholders' examining committee of the Northwestern Mutual Life Insurance Co. was held on Friday, January 20, 1939, at 10 o'clock a. m.

Present: Messrs. James K. Watkins, Wallace M. Davis, George B. Luhman.

Mr. Brophy was confined to his room at the hotel by illness, but was available to the committee for conference.

Mr. Edmund Fitzgerald, vice president, discussed at length with the committee the employee relationship and the contract with the labor union. The contract expires on April 30, 1939, but may be terminated at any time on 60 days' notice by either party. The interest in the union has apparently fallen off. The new employees are satisfied with their new jobs, and the older employees do not like union activity or union dues. The middle group are responsible for the union and it is inspired mostly by young men who are impatient with their advancement.

The average term of employment in the company is 10½ years. Not a single man left the employ of the company in 1938 on his own initiative.

In the pension plan the employees each put in 4 percent of their salary. The company puts in a similar amount. The part of the company's contribution goes to the social-security tax, and the balance to the company fund. If an employee leaves the company before retirement he can withdraw only his portion of the savings, plus interest. The company contribution remains in the fund.

A general discussion was had concerning members of the staff and their reserve personnel. The committee was satisfied that proper attention is being given by the management to the personnel future.

Mr. Fitzgerald explained that in all of the large, city business-property loans ample steps were being taken to protect the company. In many instances officers of the company are on the board of directors of the managing corporation, and proper checks are being made to insure the company that operating revenues are not being diverted by equity owners for other purposes.

At luncheon the members of the committee were privileged to meet and discuss policies of the company with Mr. Cleary, president, and Messrs. Frank R. Bacon, Louis Quarles, W. D. Van Dyke, Jr., Harold S. Falk, Fred C. Best, and Walter Davidson, who had just concluded a meeting of the finance committee of the company.

Detailed recommendations of the auditors for centralized audit and control were discussed at length.

Messrs. Hall, Sinclair, and Liebsherr of Peat, Marwick, Mitchell & Co., presented the final audit report and considered in detail the figures of the company. Their recommendations were to be taken into consideration by the committee in drafting its report, and supplemental report if any.

The committee proceeded to draft its report and a supplemental letter to Mr. Cleary covering some of the recommendations of the auditors.

Conference was had with Mr. Brophy and the details of the report were discussed with him. The report was then adopted by the committee and signed by the members of the committee. The secretary was authorized to communicate with Mr. William N. Smith and invite his signature to the report and file the report with Mr. Cleary, president of the company.

Upon motion made and carried the secretary was authorized to approve for payment the bill of Peat, Marwick, Mitchell & Co. when rendered, in accordance with their contract of employment.

The committee records its appreciation of the many courtesies extended by the officers of the company and trusts that its efforts may be of some assistance to the policyholders and management.

Upon motion, the committee adjourned.

GEORGE B. LUHMAN, *Secretary.*

SUPPLEMENTAL DATA

The following data is included at this point in connection with Dr. Davenport's testimony on p. 1182.

Income of life insurance companies and United States national income

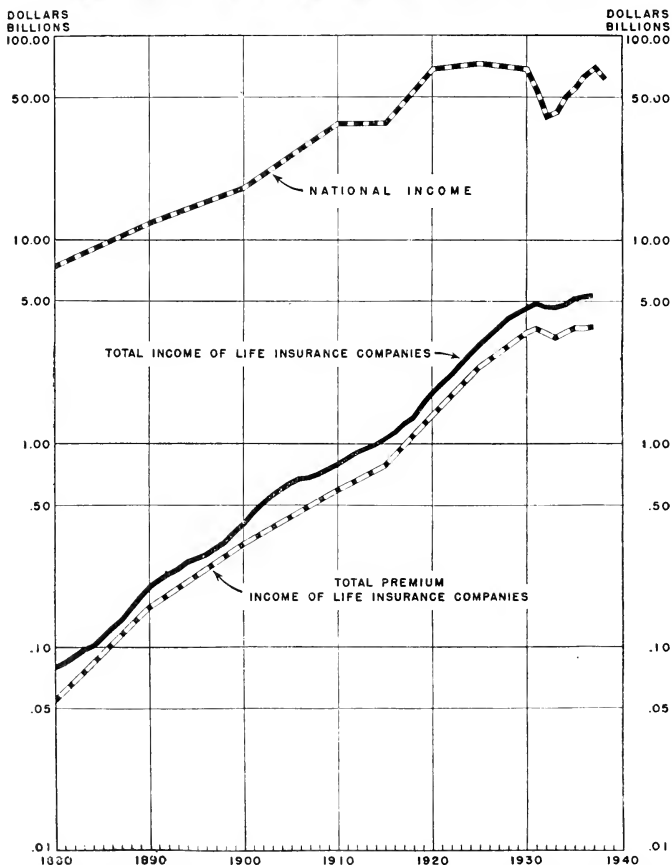
Year	Total income of life insurance companies (millions) ¹	Total premium income (millions)	United States national income (billions) ²	Percentage ratio of life insurance	
				Total income to total national income	Total premium income to national income ³
1850.....			\$2.2		
1860.....			3.6		
1870.....			6.7		
1880.....	\$80	\$55	7.4	0.1	0.07
1890.....	197	158	12.1	1.6	1.31
1900.....	401	325	18.0	2.2	1.80
1910.....	781	593	30.7	2.5	1.93
1915.....	1,043	784	37.1	2.8	2.11
1920.....	1,764	1,385	68.1	2.6	2.03
1925.....	3,018	2,384	72.8	4.1	3.27
1930.....	4,594	3,524	68.3	6.7	5.16
1931.....	4,850	3,661	53.8	9.0	6.80
1932.....	4,653	3,504	40.0	11.6	8.76
1933.....	4,822	3,322	42.3	10.9	7.85
1934.....	4,786	3,521	50.1	9.6	7.03
1935.....	5,072	3,692	53.2	9.2	6.94
1936.....	5,180	3,683	63.5	8.2	5.80
1937.....	5,257	3,762	69.8	7.5	5.39
1938.....			⁴ 61.5		

¹ Spectator's insurance year books.

² Table 5 submitted for the record of the hearings before the temporary national economic committee by Dr. Isador Lubin, Commissioner of Labor Statistics, Department of Labor. Based upon estimates made by the Department of Commerce, Kuznets, and King; spliced into a single reasonably comparable series by the Department of Commerce. See Hearings, Part I, appendix, p. 194.

³ Estimated.

TOTAL INCOME OF LIFE INSURANCE COMPANIES & THE NATIONAL INCOME



SOURCE: U.S. DEPT. OF COMMERCE
SPECTATOR YEAR BOOK

DS-1106 PREPARED BY SEC. & EXCH. COMM.

The following data is included at this point in connection with Dr. Davenport's testimony, *supra*, p. 1184.

Assets of formal savings institutions in United States, 1910-37

[In millions of dollars]

Year	Life insurance companies, admitted assets ¹	Mutual savings banks, total assets ²	State and national banks, savings and other time deposits ³	Building and loan associations, total assets ⁴	Postal savings ⁵
1910.....	\$3,876	\$3,652	(*)	\$946	\$1
1911.....	4,164		\$4,504		
1912.....	4,409		4,796		
1913.....	4,659		4,737		
1914.....	4,936		4,802		
1915.....	5,190	4,319	4,862	1,484	66
1916.....	5,537		5,357		
1917.....	5,641		6,537		
1918.....	6,475		7,153	1,898	167
1919.....	6,759		8,308	2,127	157
1920.....	7,320	5,619	10,131	2,534	152
1921.....	7,936	6,040	10,932	2,891	138
1922.....	8,652	6,352	11,761	3,343	132
1923.....	9,455	6,905	13,453	3,943	133
1924.....	10,394	7,365	14,495	4,766	132
1925.....	11,538	7,913	15,982	5,509	134
1926.....	12,940	8,422	17,171	6,334	147
1927.....	14,392	9,011	18,051	7,156	152
1928.....	15,961	9,688	19,745	8,016	154
1929.....	17,482	10,067	19,315	8,695	175
1930.....	18,880	10,295	19,273	8,824	
1931.....	20,160	11,132	18,186	8,412	785
1932.....	20,754	11,134	14,241	7,745	1,187
1933.....	20,896	10,967	11,365	6,972	1,198
1934.....	21,844	11,065	11,950	6,445	1,205
1935.....	23,216	11,173	12,742	5,884	1,232
1936.....	24,874	11,409	13,453	5,610	1,268
1937.....	26,249	11,645	14,329	5,706	1,252

¹ Statistical Abstract of the United States, 1937, p. 277, and the Insurance Yearbook of the Spectator Co.

² Statistical Abstract of the United States, 1937, p. 242 and the Annual Report of the Comptroller of the Currency, 1937.

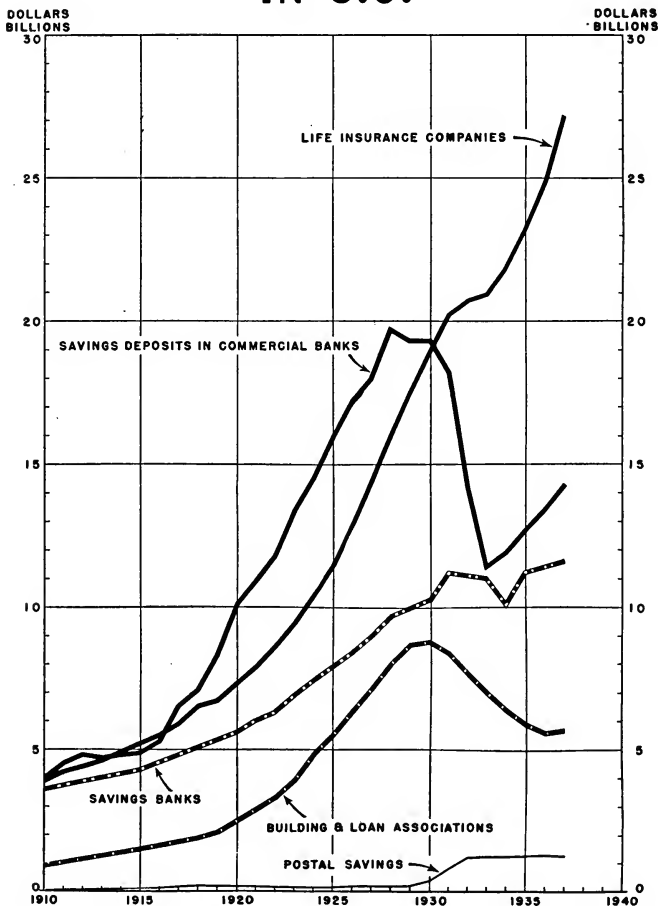
³ Statistical Abstract of the United States, 1937, p. 253, from American Bankers Association.

⁴ Statistical Abstract of the United States, 1937, p. 257, from United States Building and Loan League. From 1934 on, institutions operating under a Federal charter are included.

⁵ Statistical Abstract of the United States, 1937, p. 256. Balance to credit of depositors June 30.

* Not available.

ASSETS OF FORMAL SAVINGS INSTITUTIONS IN U.S.



SOURCE: STATISTICAL ABSTRACT

DS-1102 PREPARED BY SEC. & EXCH. COMM.

The following letter from George S. Van Schaick, vice president of the New York Life Insurance Company, was entered in the record during hearings held February 28, 1939. It is printed at this point in connection with testimony, *supra*, p. 1436.

EXHIBIT No. 304

NEW YORK LIFE INSURANCE COMPANY

51 MADISON AVENUE, MADISON SQUARE

NEW YORK, N. Y., February 14, 1939.

MR. GERHARD A. GESELL,
2809 O Street NW., Washington, D. C.

DEAR MR. GESELL. May I make this statement in reference to Exhibit 263 in the proceedings of the Temporary National Economic Committee pertaining to life insurance which exhibit was a memorandum of Charles R. Van Anden, Superintendent of Real Estate of the New York Life Insurance Company to me as Vice President in charge of real estate dated October 11, 1937?

Shortly after the receipt of that memorandum, Exhibit 263, I had a conference with Mr. Van Anden at which time I told him that the policy of this Company was absolutely opposed to any favoritism, that bids were to be asked and awards made in good faith to the lowest bidder, that scrupulous attention should be paid to dealing fairly with bidders at all times and that no direction should be given to managing agents as to the purchases of coal and oil other than that they would be held responsible for obtaining proper prices and service.

This is the only policy of the Company on this subject ever expressed by me and it has never been modified, withdrawn or annulled. All purchases of coal and oil made directly by the Company are as far as I have been able to ascertain on that basis except that there has come to my attention a deviation in a relatively small item where unbeknown to me or to President Aiken or Superintendent Van Anden some oil was purchased by the Building Manager of the Home Office Building of one other than the lowest bidder. As soon as this was learned the action was disapproved and the Building Manager directed to strictly observe the proprieties in dealing with bidders and awarding contracts of purchase to the lowest.

Yours very truly,

GEORGE S. VAN SCHAICK,
Vice President.

DECEMBER 23, 1937.

Memorandum to Mr. Columbus:

We do not direct our managing agents as to the persons with whom they should deal but hold managing agents to standards of good and economical management. They are responsible for fairness of practices and conduct and care which in the long run will be most advantageous to the interests of this Company.

GEORGE S. VAN SCHAICK,
Vice President.

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